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# ***JPRS Report***

## **East Europe**

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# East Europe

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### **Bulgarian Interest in Macedonian Weapons Case**

92BA1174A Skopje NOVA MAKEDONIJA  
in Macedonian 27 Jun 92 p 2

[Article by T. Ivanovski: "Master in Someone Else's House"]

[Text] *Why the Sofia authorities are concerned about the fate of the accused in the court case in Titov Veles*

The Bulgarian Ministry of Foreign Affairs recently took pains to remind the Macedonian public once more of the enormous disharmony that exists between the declared and not infrequently pompous statements and promises of the Bulgarian politicians and the actions and actual behavior of Sofia's official policy toward Macedonia and, in particular, toward the Macedonian people. The Ministry of Foreign Affairs in Sofia contributed to this long-term practice of Bulgaria's behavior toward its first eastern neighbor in its announcement, through the Bulgarian Government agency, released to the public. From it, it is possible to see that the Macedonian leadership is reprimanded (!) because of the court case in Titov Veles and that Skopje is supposed to issue a report (!!) about this matter. What mostly concerned the gentlemen from the Bulgarian diplomatic delegation is the recognition (which only they have) that, in the trial in Titov Veles, some kind of "Bulgarophilia" is seemingly being tried, relative to people with "Bulgarian national identity," and, because of this, it wants Macedonia to respect the standards of the CSCE, particularly in the case of this commitment on the part of "free choice of identity," which is to say national preference!

Outside these sorrowful Balkan expanses, in Europe, which the current Sofia ruling clique is trying with all its might to join, such behavior and especially the tone in which it is done is simply called interference in the internal affairs of an independent and sovereign state. However, because Sofia is still very far from the West, it acts as a bully and takes upon itself the right to behave as master in someone else's house! Actually, this is one more attempt by the Bulgarian policymakers to behave as a patron and critic of Macedonian foreign and domestic policy, determining at the same time what is bad and what is good, even acting in the Titov Veles trial. Without going into the question of whether these people are guilty (it is, however, a matter for the court, and not one for a foreign ministry), what they are accused of is something for which people are brought to trial in the whole civilized world and in every legal state. Raising the question of the "identity" of the accused, in the meantime, shows what the goal of this Sofia innovation is: the intention to have the Macedonian population present itself as "Bulgarian," to support the thesis of the "strong presence" of the "Bulgarian cause" in Macedonia, which will be the justification for Sofia's "originality" in recognizing the State of Macedonia but not in recognizing the national separateness of Macedonia.

Now, it is up to these same people, about whom up to now it has not been heard that they declared and felt

themselves to be "Bulgarians" or that they represent a certain "Bulgarophilia," to say who, and what, and in what way to appease the concern in Sofia. However, it is good to see that, in Macedonia, one is not judged because of national affiliation (irrespective of how those from Titov Veles declare themselves), particularly when the Macedonians are in question. Nor again are the people divided into those of the first and those of the second category, as the minorities are treated in neighboring Bulgaria, and, in particular, the Macedonians, concerning whom it is not permitted to inform the international community about the miserable situation in which they find themselves. In a word, it is the internal business of every sovereign state to determine whom to put on trial and for what, as it is surely the internal business of Sofia whether it will arrest and judge all previous Bulgarian prime ministers and politicians, as it is now doing.

The intervention of the Sofia Ministry of Foreign Affairs, which is to say the Bulgarian Government, in this "case," however, raises some other questions, which are reflected on a wider international and domestic plane. First, there is the more obvious insistence of official Sofia to behave toward Macedonia as toward some kind of "its own territory," just like the uproar against Greece and its behavior toward Cyprus, which not so long ago even some Sofia political spectators tried to warn against. This is reflected in the stubborn defense of the chauvinistic thesis that there is no Macedonian people, that here, supposedly, there are all kinds of people, but mostly "Bulgarians." Further, in continuation of the practice from the time of Zhivkovism of appropriating Macedonian history and culture, of glorifying the ideals of St. Stephen, of a greater Bulgaria from the Black Sea to Ohrid, of talking on and on about the subject of "lost territories" and "unrealized ideals" of a united Bulgaria, which jointly culminated in the declaration of a high official from the ruling SDS party—"For one people in two countries!!" Finally, although not without a little significance, is the more complete tying of the Macedonian economy to the Bulgarian. However, first of all, this is provoked by the blockades and wars that are going on around us. Even so, it makes Macedonia dangerously dependent on only one market, especially because these political delusions have not been completely cleared up. If to this we add the not-thoroughly-defined declaration that, if someone were to attack Macedonia, the Bulgarian Army would be involved in the defense of "its brothers," we get a more complete idea of the degree of preoccupation of Bulgarian foreign policy with the so-called Cyprus syndrome in the case of Macedonia.

The second element is the behavior of Sofia toward the Macedonian enclave. It has been shown that the only purpose in being first to recognize the independence of Macedonia was the wish to gain positions in that part of the Macedonian public that Sofia subsequently stubbornly claims as its own, and to build a new image as a "true friend and brother." Therefore, in the meantime,

they immediately began the games and the calculations, in particular with Athens, where they came to a quick agreement that "there is no Macedonian minority" in their territories and that the insistence on solving the minority question "could ignite the Balkans!" In essence, the intensive flirtation of Sofia with Athens and Skopje began at that time, with one thing being said to us and another to the Greeks, in order to subject the current Macedonian leadership and the policy it directs to constant criticism, usually through the party organs in Sofia. Doing everything in order to slander the concept of that which today is Macedonia, Sofia, in practice, is working against the recognition of Macedonian independence. The Constitution is attacked as supposedly "extremist"—that is, the leadership is slandered as being "neo-communist," which gives another argument to all those around us and near us who portray Macedonia as some kind of "dark province." Finally, this last Bulgarian intervention concerning the Tito Veles trial has to be seen as an attempt to slander Macedonia before Europe, the CSCE, and the world, precisely at the moment when perhaps the decisive battle for Macedonian recognition is being waged.

Internally, with this and with all the interventions up to now, Bulgaria only shows that, after much searching, it has found its partner in the Macedonian political scene, concerning which it insists and will insist later on to contribute its positions and views and eventually determine the course of Macedonian internal and foreign policy. The behavior of certain Macedonian parties and their blatant servility toward all that comes from Sofia may have a large share in this, but surely so does the possible abandonment of the policy of equality toward all neighbors of Macedonia. Therefore, the Bulgarian insistence on behaving as a unique guarantor, preserver, and patron of Macedonia, in place of the former Yugoslav umbrella, is very dangerous not only for Macedonia, but also for this entire area of the Balkans. Therefore, abandoning this plan and tolerating this behavior of Sofia would surely lead to limiting the state and national sovereignty of Macedonia and would completely deprive Macedonian policy of individuality. On the other hand, giving in to one side would give other neighbors and pretenders the right to exert patronage over our people and parties. This, without doubt, would completely eliminate the Macedonian identity.



**New Deputy Prime Minister Vasilev Interviewed**  
*92BA1075A Sofia 168 CHASA in Bulgarian 9 Jun 92*  
*p 21*

[Interview with Health Care Minister Nikola Vasilev by Milena Dimitrova; place and date not given: "The Task of the Government Is To Offer Opportunities and Not To Instruct or Impose Limitations"]

[Text] *According to Nikola Vasilev, minister of health care, deputy prime minister in charge of the tripartite dialogue, and gynecology docent, the worst ulcer afflicting our society is centralization.*

[Dimitrova] Of all the ministers, it was your shoulders that proved to be the strongest in withstanding the dialogue with the trade unions.

[Vasilev] There are several versions. The first is that I am a man of the trade unions, and another is that I am sufficiently anonymous so that I can serve as a target or punching bag to absorb the dialogue with the trade unions and the employers. A third version is that I am sufficiently free of conflict so that, for at least a while, I could act as an intermediary or a go-between. Take your choice.

[Dimitrova] Which party in the blue coalition is earning dividends from your participation in the government?

[Vasilev] I am not affiliated with any party.

[Dimitrova] In the area of social reform, to what would you like your name linked?

[Vasilev] I am firmly resolved that the packet of social reforms should be considered as a whole, so that no discrepancies may result. Second, I have made a firm decision that, in the future, the establishment of nonbudgetary social funds be linked to taxation policy—in other words, the establishment of nonbudget funds must not become an additional burden for the citizen. There must be some compensation to burdening him with taxes.

[Dimitrova] However, the state, the employer, and the person who pays the premiums have diverging interests, and, consequently, they should have different rights. Is that not so?

[Vasilev] I am an absolutely firm supporter of divided and shared responsibility. The elements of my credo are shared responsibility and decentralization. Centralization is the worst ulcer afflicting our society. I am horrified by the way it has twisted our way of thinking, including my own, although I am of middle age. Let us not even mention those older than I. We have been completely molded to think in centralized terms, and these are such heavy shackles on our legs we are even unaware of their existence.

[Dimitrova] Therefore, what model of social security should be adopted?

[Vasilev] We are following a progressive model of social security, which is based on three foundations, the three sources of the money needed for social security. The first is the so-called tax assessment, which, in our practice, is the social security tax collected from the employers. The second is the mandatory insurance. In this case, this must be linked to taxes so that the taxes do not constitute an additional burden but be correspondingly reduced. The payments must be capitalized so that they will not evaporate and will resist inflation until they have to be used. The third is that of the individual voluntary insurance premiums or savings for old age and health care, something the person himself determines whether to do and to what extent. In turn, targeted savings must not be considered public revenue.

[Dimitrova] Is it your belief that the current updating of pensions is a rather painful compromise for the government?

[Vasilev] Yes, it is painful, although it could have been worse if the stipulation of raising the retirement age had been rejected in its entirety. This concession made by the national representatives plays a positive role. Personally, I believe that, according to this law, the pensioners today will continue to survive with their pensions—that is, future progressive legislation that will shape nonbudgetary funds will benefit not the pensioners of today but the people who are currently working.

[Dimitrova] How could one explain the optimism with which you plunged into the discussions with the trade unions?

[Vasilev] It is true that I am an optimist, but the explanation is simple: I have truly exceptional faith in the Bulgarian people. I say this without any demagoguery. I see how, in no more than two years, stores have opened in Sofia that are better than those in neighboring countries, and not only in neighboring countries. I am sure the Bulgarian people have not abandoned the driver's seat and do not need anyone to drive them. In simple terms, the task of the authorities now, in my view, is to provide opportunities and not preach or impose limitations. The sensible limitation is the one imposed by the law.

[Dimitrova] Your personal friendship with the prime minister must have had some influence in this case.

[Vasilev] I met the prime minister on the day he offered me the position of minister of health care, unless you include a pleasant nod of his head in the summer at a cocktail party we both attended.

[Dimitrova] What will be the future of free health care with the progressive social security model you support?

[Vasilev] The word "free" has two dimensions. One is senseless, illogical, and, in general, not worth discussing: the fact that health care means expenditures that no one meets. The other interpretation is that no one pays out of

his own pocket for health care. In the case of a health-insurance system, under the existing Constitution this could be considered a model of free insurance. However, I think I made a breakthrough in this respect by submitting to the Council of Ministers the following proposal: Those treated in the former government hospital should pay for extra services. What constitutes extra service is not health care but having a separate room, a telephone, a television, and earning a higher wage. This is a precedent—paying as though in a hotel when staying in a state hospital. I expect there immediately will be initiatives taken by a number of hospitals in the country to set aside five or 10 rooms, or, in maternity homes, for the mother to be visited not only by the midwife but also by the hair stylist, who might tell her, "Madame, after you have given birth, you will meet with your husband. Let me make your hair look decent." This must be paid for and thus mark the beginning of a different way of thinking. However, because I fear that this initiative will not reach the hospitals, which are somewhat fearful in this respect, I shall probably have to order them to comply.

[Dimitrova] When you were younger, you supported the principle of private practice....

[Vasilev] Are you going to ask me about Gurko 52?

[Dimitrova] Yes. Why are you not pleased about sharing an entrance with the first private polyclinic?

[Vasilev] I am not at all pleased. I continue to support private practice, but Gurko 52 is like a thorn in my side. I feel that I have not entirely forgotten my craft and that I am a highly regarded professional in medicine. I dare say I am among the best in my field. I have corresponding high requirements concerning the possibilities in the field of health care. I cannot accept the view that three rooms constitute a polyclinic. To me, these are three consultation offices. According to Regulation No. 5, three or possibly a few more specialists than allowed by the township council may work in those premises. To me, to describe this as a polyclinic is to abuse the trust of the citizens. Because of circumstances, I took part in the national training of a high percentage of the currently working obstetricians and gynecologists younger than I, and I must tell you most frankly that, whether by accident or not, I am familiar with all of the gynecologists working out of the Gurko 52 offices. They are exceptionally modest specialists.

[Dimitrova] I know a dentist there who is very talented.

[Vasilev] There is nothing I can say about her because I have no way of making an assessment. However, as far as the obstetricians are concerned, I can answer categorically and most responsibly.

[Dimitrova] If you consider yourself a first-rate professional, how do you maintain this status?

[Vasilev] Unfortunately, it is becoming increasingly difficult.

[Dimitrova] I understand that you have three offices: one as minister of health care, another as deputy prime minister, and yet another as a gynecology docent. How frequently do you visit the Medical Academy?

[Vasilev] Very rarely—two or three times a month.

[Dimitrova] Would you prefer that we discuss medical actions and clinical phenomena in Bulgarian politics? I have not forgotten that you carried in your left pocket a tape measure during the governmental crisis, when deputies and trade unionists were measuring the size of their procreation organs.

[Vasilev] Consider that as my affiliation with the natural sciences, which developed in me a humility in the face of objective processes. I am not angry when the weather turns rainy after I have decided to go on a trip.

[Dimitrova] What is natural in the government?

[Vasilev] Let us not lean toward Tolstoyanism! Generally speaking, any government or any social formation has its historical origins, and there is nothing I can say about the past claiming it was historically illogical. Nor can you, right?

[Dimitrova] I would not dare. Do you regret your decision about the amphetamines?

[Vasilev] No, I issued an order prohibiting the production of and trade in such substances on the territory of the country. This was made necessary by our commitments to the world organizations, particularly the United Nations. Amphetamines are psychostimulants. There was a type of amphetamine known as "actedron" that was used by university students in my time so that they could study day and night.

[Dimitrova] I heard that the Variant-3 television program included a recording by a rich lady from the United States who had entrusted you with the distribution of pharmaceuticals in Bulgaria. She wanted to use the revenue to build hospitals.

[Vasilev] This is the first time I have heard of it. A rich lady from the United States, who has given me drugs? Ha-ha! I deny it.

[Dimitrova] Do you consider the idea of philanthropy alien? This is a way to help the activities of the government without making it dependent.

[Vasilev] The question of donations reminds me of artificial feeding or drug addiction. What is bad about them is that one develops a dependency. We, naturally, have been able to resist dependency. Donations particularly helped medicine in 1990 and 1991. To this day, it survives with the help of donations. However, that is a river that must gradually shrink to a stream.

[Dimitrova] To the point where Bulgarian medicine will stand on its own two feet and man will no longer fear hospitals?

[Vasilev] There is an official statistic that is a document issued by the World Health Organization, according to which, the more investment that is made in the field of health care, the more dissatisfied patients become.

[Dimitrova] If that is true, the Bulgarians should be delirious with joy.

[Vasilev] Don't be hasty; we are not included in the classification. It applies to various countries in which \$300-1,000 per capita is invested annually in health care.

[Dimitrova] Whereas, in our country, the average annual income does not exceed \$500.

[Vasilev] We cannot make such comparisons. However, I think the day will come when people will be completely satisfied with medicine.

[Dimitrova] You are saying it is normal for donations to diminish, whereas, this morning, I noticed Mr. Wilton, of the World Bank, coming out of your office.

[Vasilev] He and I discussed the connection between our social policy and their readiness to continue to extend loans to Bulgaria.

[Dimitrova] Could you be more specific?

[Vasilev] I cannot be more specific than that. We discussed pensions, wage compensation, social assistance, and family supplements. The bank is interested in the way the government of a country to which it has extended loans regulates its budget. Let me repeat, the World Bank does not provide aid but makes loans.

[Dimitrova] Under what conditions?

[Vasilev] Ah, you are interested in the economic aspect, whereas I am discussing the social aspect. Naturally, the bank sets forth economic conditions. Because social policy is reflected in the field of the economy, our creditors want to be confident that there will not be a severe drain of funds. The highest drain of funds may appear in the field of social policy if it is not pursued sensibly.

[Dimitrova] Social reform is the key to any reform, Dukhomir Minev said yesterday. You have authorized him to head a team in charge of drafting social laws.

[Vasilev] Rather, to coordinate already existing laws and add one or two connecting ones.

[Dimitrova] How much time will it take to enact a reasonable social reform?

[Vasilev] I cannot tell you. Historically, a period of several years is exceptionally short, but, in the mind of the individual who would like to live better now, that is extremely long. It is also extremely well understood by me. Add to my credo about decentralization that the sacrifices we are demanding of the people must not be correlated to the readiness for sacrifice of individual politicians.

[Dimitrova] Is participation in a transitional cabinet a rather dark prospect for you personally, as a politician?

[Vasilev] I have no prospects as a politician. My career is in medicine.

[Dimitrova] You started wars on several fronts: a trade union dialogue, health-care reform, and social-legislation reform. Yet you have only two hands.

[Vasilev] There is something inaccurate in that. The initial definition of my area as deputy prime minister was contact with trade unions and employers and work in the social area. In the final variant, the last was dropped. Therefore, on paper I am responsible only for a dialogue with the trade unions and employers. For the rest, we have a social ministry.

[Dimitrova] What new features will you introduce in the dialogue with the departments headed by Trenchev and Petkov?

[Vasilev] It is not I but the three parties that will introduce new features. This is a constructive, well-intentioned project. Otherwise, let me confess to you that, physically, I find it difficult to cope with everything.

[Dimitrova] What changed in the Cabinet with the arrival of the new ministers?

[Vasilev] It is somewhat too early to discuss that. We shall meet again.

#### **BSP Leader on Visit to Moscow, Alma Ata** *92BA1066A Sofia DUMA in Bulgarian 3 Jun 92 p 7*

[Interview with Zhan Videnov, chairman of the Bulgarian Socialist Party, by Mitko Bozhkov; place and date not given: "According to Gorbachev, the Bulgarian Socialist Party Is a Phenomenal Party"]

[Text] *The visits to Moscow and Alma Ata were timely, needed, and very useful. They constitute an important part of BSP [Bulgarian Socialist Party] foreign policy activities in recent months. In addition to contacts with Balkan and West European countries, in the future we shall also be developing ties to traditional and promising Eastern partners, said Zhan Videnov, BSP chairman and head of the BSP delegation that visited Russia and Kazakhstan, in talking to a DUMA representative.*

[Bozhkov] What are the specific results of that visit?

[Videnov] We signed protocols of cooperation with the Free Russia National Party (NPSR) and the Socialist Party of Kazakhstan (SPK). That sets our interparty relations on a firm contractual foundation and provides guarantees for the further development of our contacts with members of the leadership of the two countries and opens prospects for broadening our ties to similar parties in other republics and in the Commonwealth of Independent States (CIS).

[Bozhkov] In our country, your meetings with Gorbachev seem to have created great excitement.

[Videnov] Yes, it is true that we met with the leading analysts of the Gorbachev Foundation. Before that, however, we looked for firsthand impressions on the dynamic social processes in CIS, which we discussed with the leaderships of the NPSR and the SPK. Circumstances in the Commonwealth are vague and unpredictable. It is already clear that CIS, which was created in Minsk and Alma Ata, is insufficiently reliable, viable, or durable. CIS is in a stage of transition. There is universal expectation of forthcoming changes, linked mostly to the feverish political activities in Moscow.

[Bozhkov] What is the apple of discord in that city?

[Videnov] It is the policies pursued by the government of President Boris Yeltsin. His supporters are insisting on a referendum on the new Constitution that he suggested, whereas his opponents are ready to hold a counterreferendum that favors depriving the extraordinary rights voted by the Russian Parliament to the president. Authoritarian trends within the Democratic Russia Movement, which supports Yeltsin, are intensifying. After a flood of breakups, his most noted leaders abandoned the movement, replaced by chauvinistic and revanchist anticommunist groups. On the opposite left pole, we find increasing discontent, despair, and nostalgia for a past, which cannot be resurrected. All of this makes the political situation in Russia extremely tense and predisposing toward power solutions.

[Bozhkov] Is Russia, as well, in the clutches of confrontation?

[Videnov] Against the background of the obvious power crisis, moderate centrist political forces are assuming particular importance in Russia. Today the most influential among them is the Free Russia National Party, which was created last year by Vice President Aleksandr Rutskoy. His great reputation, his important role in preventing the August putsch, and the active parliamentary activities of the NPSR as well as its sensible left-of-center platform are opening to that party horizons for its development as one of the leading political forces. Together with the Democratic Party, headed by Nikolay Travkin, and the Renovation Business Alliance, headed by noted economist Volskiy, it recently formed the Civic Union coalition, which is already developing as a firm obstacle to authoritarian trends as well as a social correcting factor of governmental policy and an attractive alternative offered the Russian voters.

[Bozhkov] Let us not omit anything from your stressed program.

[Videnov] That included discussions with Roy Medvedev, leader of the Socialist Party of Working People, and with the most noted representatives of the Movement for Democratic Reforms—Aleksandr Yakovlev—that is, the main leftist and centrist forces in Russia.

[Bozhkov] This may sound overstated, but Kazakhstan implies something backward. Why do you smile, Mr. Videnov?

[Videnov] Kazakhstan is a Ural Asian country in the full meaning of the term. Because of its strategic location, interethnic population, tremendous natural resources, and substantial nuclear and scientific potential, Kazakhstan is a major stabilizing factor in the area, particularly after the signing of the treaties with the United States, Russia, and Turkey. A great contribution to this was made by President Nursultan Nazarbayev, who is also the founder of the Socialist Party of Kazakhstan, a party that already has 50,000 members and structures in all parts of the country, as well as substantial influence among the various social and ethnic groups. Its authority is enhanced by its chairman, the noted writer Anuar Alimzhanov, its strong positions held in the country's leadership, and its popular social and foreign policy, which is aimed at broadening cooperation with China. The SPK [Socialist Party of Kazakhstan] is the most serious political force in the developing social spectrum of Kazakhstan and a most promising partner of the BSP in that area.

[Bozhkov] How are bilateral relations between Bulgaria and Russia and Bulgaria and Kazakhstan assessed?

[Videnov] Bluntly speaking, they are not enviable. We realized this after meeting with our deputy colleagues. Bulgarians goods in demand have totally disappeared from the Kazakh markets and are replaced by Chinese, Korean, Turkish, and even...Hungarian competitors. Prime Minister Tereshchenko and Supreme Soviet Deputy Chairman Yerezhpov wondered why the long-standing decision made by Sofia to open a Bulgarian embassy in Alma Ata and the signing of a commercial agreement with Kazakhstan was not carried out.

[Bozhkov] Write him off as dead, as the saying goes....

[Videnov] That is no accident because our trade with Russia for the first quarter dropped down to \$60 million. The Bulgarian Embassy in Moscow is staffed by no more than four diplomats. There are constant difficulties with the implementation of the trade agreement, proving that the current Bulgarian Government is not prepared to engage in even ordinary, not to mention "tripartite," trade. Both Voronin, deputy chairman of the Supreme Soviet, and Kozhokin, the chairman of the Commission on Foreign Affairs, unequivocally said that it is Bulgaria that is the main loser of all of this.

[Bozhkov] The chief of the Bulgarian diplomacy is trying to insinuate to the public that everything is all right in relations with Russia. Could it be that he is not entirely sincere?

[Videnov] Although drowning in its own problems, Russia is not indifferent to the obvious lagging of Bulgaria behind the remaining East European countries, which have preserved their good relations with it, and the meaningless "Stoyan Ganev" draft treaty, and the



real danger of the development of a treaty vacuum between the two countries after 4 August, the poorly concealed anti-Russian feelings of today's Bulgarian leaders concerning the Russian war memorials, the 24 May celebration in Moscow, and so on. It is not astounding, therefore, that, of the planned 5 million tons of Russian petroleum, Bulgaria this year has not obtained even a single gram.

[Bozhkov] What was the main topic of your meeting at the Gorbachev Foundation?

[Videnov] Bulgaria and Russia, CIS, and the world were the main topics of the nearly three-hour-long discussion with Gorbachev and Yakovlev. We were the first party delegation from abroad received by the foundation. It is obvious that that institution and its founder are, in themselves, a major political factor, not only in terms of Russia but also of the rest of the world. Gorbachev has maintained his personal charm, energy, and vitality. He told us that he remains a convinced supporter of socialist ideas, which are one of the ways to the new 21st-century civilization. In his view, such civilization has nothing in common with the views of the cold war and will not be the mathematical sum of the "historical dispute between capitalism and communism." Its establishment is a challenge hurled at all countries. That is why it is triggering new social movements and a global hunger for new ideas....

[Bozhkov] And, naturally, new people....

[Videnov] Precisely, and these new ideas need new politicians who do not share the confrontational way of thinking. They can be found in Russia, in CIS, and in East Europe, the two noted politicians pointed out. According to Gorbachev, another contributing factor was the August coup, which terminated the natural course of changes in the former USSR and the former CPSU, and triggered a new round of disintegration of authoritarianism. Gorbachev was very critical of the current Russian leadership and of Yeltsin personally. He shared his concern for reviving violence within the country and attempts on the outside to bring the country down on its knees. The former president did not conceal his bitterness at the tireless attacks mounted against him from the left and the right.

[Bozhkov] What was the Bulgarian theme in the conversation?

[Videnov] It became clear that both Gorbachev and Yakovlev were very familiar with the political situation in Bulgaria. In their view, the BCP [Bulgarian Communist Party] began to make its changes late, but on an exceptionally civilized basis, and credit for this unquestionably goes to Petur Mladenov, Georgi Atanasov, Andrey Lukanov, Dimitur Stanishev, and Dobri Dzhurov. It is precisely because of that, from any point of view, that political persecution of them is absolutely unacceptable. Our two interlocutors expressed their

amazement and fear of confrontation and the spirit of revenge currently enhanced by the SDS [Union of Democratic Forces].

[Bozhkov] Was any attitude toward the BSP expressed?

[Videnov] Gorbachev's words were exceptionally sympathetic and positive regarding the BSP and its present leadership, and regarding Aleksandur Lilov, personally. According to Gorby, this party is a phenomenon not only for the present but also for the future, assuming it remains united and precisely defines its tactics. He did not conceal his regret that Russia is offering little aid to Bulgaria during these difficult times. In parting, he repeated that his country will inevitably stand again on its own two feet.

#### **KNSB Leader Petkov Addresses ILO Session**

*92BA1170A Sofia TRUD in Bulgarian 8 Jun 92 pp 1, 7*

["Address" by Prof. Krust'o Petkov, chairman of the Confederation of Independent Trade Unions in Bulgaria (KNSB), to the International Labor Organization in Geneva on 3 June 1992: "Anti-Trade-Unionism in Bulgaria Is Already an Official Policy"]

[Text]

#### **Address of Prof. Krust'o Petkov to the 79th Session of the International Labor Organization**

Honored Mr. President,

Honored Mr. General Director,

Dear participants in the session,

This year, the honor has fallen on me as chairman of the Confederation of Independent Trade Unions in Bulgaria (KNSB) to speak in the name of the organizations of workers in Bulgaria: the KNSB and the Podkrepa Labor Confederation, which include approximately 70 percent of the hired workers. At the same time, I have the difficult task of informing you of the trends that threaten to undermine the process of democratization and to make impossible the representative and protective role of the trade unions. The report "Democratization and the ILO [International Labor Organization]" by the general director of the ILO, Michel Jansen, touched upon a great problem, and we greatly appreciate that.

However, let me begin with the good news. For less than three years, Bulgaria has been included in the group of countries of East Europe that has discarded a totalitarian regime and, in free elections, has given a vote of confidence to the new democratic forces. The first noncommunist government in 45 years was put together. A declared democrat and former leader of the opposition against the dictatorship of Todor Zhivkov was elected president. The parliament adopted a set of laws, including ones for privatization, that are opening the way for a market economy. The rights of the ethnic minorities are guaranteed, and the forced assimilation of

the Turkish population has been stopped. All of this is written in the people's ideas of the new posttotalitarian society and corresponds to the criteria of the ILO for real democratization.

Unfortunately, another trend has been manifested clearly since the end of last year. We are speaking here about a series of antiunion actions that the executive, judicial, and legislative authorities in Bulgaria have taken. This compels us to be on the alert and to warn the international community and this conference.

It began with the confiscation of the property of the trade unions. This was carried out suddenly, under a specious legal form and with ideological arguments: The former trade unions controlled by the party and states will be sanctioned. The decision of the parliament was passed with difficulty and after overt pressure on the deputies. The motives for the Law for Confiscation of Property of 19 December 1991 may include the well-known political expediency because the old trade unions were an element of the totalitarian structures, but the hired workers both before and now cannot collectively bear the guilt for the fact that they were forced to join the trade unions and to pay membership dues with which property was acquired. Nor are they responsible for the way in which the funds collected from them were expended.

By taking the property from the old trade unions, the state deprives all organizations of workers now operating of the funds for existence: the new trade union offices, the autonomous professional organizations, and the reformed trade unions. The strike funds were liquidated with one stroke. This gave birth to our argument with the state institutions and the government, which grew into a conflict and then into a sharp confrontation. We are convinced that we are right. Our arguments are strong and incontrovertible both from the point of view of the Constitution of Bulgaria, as well as of the international standards and the conventions of the ILO.

The Constitution of the Republic of Bulgaria establishes the right of free association of wage labor and the possession of property. As is known, this right is regulated in the conventions of the ILO, ratified by Bulgaria. The Confiscation Law was passed and put into effect. However, its clauses are being violated everywhere. The buildings and rooms of the territorial and branch trade union organizations are sealed up and taken, and our officials and experts from the units for labor law consultation and union protection are thrown out. Such are the situations in Sofia oblast, Plovdiv, Ruse, Dupnitsa, Golech, and dozens of other towns. That which was acquired with the membership dues is confiscated, and, in exchange, they offer hovels or nothing. The property of the trade union newspapers and publications is declared to be state property.

The height of the antiunion attacks was the confiscation of the Sailors Center in Ruse, carried out even before the law was passed. Even at the moment, by order of the minister of finance, buildings are being taken, and funds

collected in the past two years from membership dues are being inventoried, which is a gross violation of Article 46 of the Labor Code. The only "compromise" the government is inclined to make is to rent us our own property or grant credit under "favorable conditions." In exchange, it expects obedience from the trade unions.

The three-sided system for social partnership was abolished in November 1991. This act of the government was followed by a concentrated campaign against the trade unions, which were accused of all kinds of sins: organizing conspiracies against the government, being Mafiosi, acting as the chief enemy of economic reform, and so forth. An attempt was made to take away the right of collective bargaining through changes in the Labor Code. And, when in April, the two labor union central offices came out against the government decision for freezing (actually for further trimming) wages, pensions, and social assistance, a legal dispute began. At the moment, there are more than a dozen cases pending against the leaders of the KNSP and the Podkrepa Labor Confederation, as well as against strike committees. A draft of a screening law [preceding two words in English] (known as the "decommunization law" in our country) also was prepared, but, after the social protests, including protests from representatives of European institutions, it was dropped. Now an attempt is being made to pass the discriminatory legislation in a veiled form—by means of a new law for state employees and a law for pensions.

I am not complaining, honored delegates, I am simply stating the facts. But this is a sad, an even bitter statement of fact, because it reveals the beginning danger to the democratic development of Bulgaria.

In the clash with the state, the trade unions in Bulgaria first of all are relying upon themselves and are defending their rights in all legitimate ways. We appealed to the president to use his right of veto against the law; we used the mass media to explain our position; we organized boycotts and warning and effective strikes. We answered the rejection of tripartism with bilateral negotiations with the organizations of the employers and a joint declaration for the economic policy. We especially want to point out that the joint declaration is in full agreement with the communique from the meeting in April of this year of the International Conference of Free Trade Unions (MKSP) and the International Organization of Employers.

The coordinated pressure of the trade unions and the employers produced the first result. At the end of May, after a seven-month interruption, the special partnership was restored, and negotiations for compensation of wages, pensions, and social assistance began.

However, the confiscation of the union property was not stopped.

The KNSB lodged a complaint with the Constitutional Court on these grounds and is awaiting its decision. Our complaint has already been received by the Committee

for Trade Union Freedom of the ILO (Case No. 1623). With respect to the legal prosecution of trade union leaders, we will send a claim in accordance with Article 24 of the Charter of the ILO and urge that it be studied by the ILO.

Believe me, in no way is it pleasant for me to raise these issues at today's session because it stains with blood the prestige of the country and the image of our fragile democracy. However, democratization presupposes a public nature of the conflicts, especially when the basic rights of hired workers and the trade unions are threatened, as is the case in Bulgaria, Lithuania, and other countries.

The representative organizations of workers in Bulgaria have declared their support for the democratic changes and for the economic reform in the transition to a market economy. Consequently, there is no political basis for the rising anti-trade-unionism. The only thing we want is a transformation of the centralized planned economy and an exit from the crisis to take place with the participation of wage labor and its trade union organizations.

We want a dialogue, but we receive an arrogant refusal or demands that would bring us to an unprincipled conciliation. We propose versions of a more bearable price and guarantees for social peace during the crisis period, but we are informed that control of the economy is an exclusive right of the executive authority. This is why we are convinced that what lies behind the government—trade union conflict is the antagonism between two concepts—on the one side is neoliberalism and monetarism, and, on the other, the concept of a market economy, with recognition of the social aspects. Modern Europe has adopted tripartism and counts on social dialogue, but, on its southeastern border, a dangerous precedent is being born: not only rejection of three-sided negotiations, but also an attempt (planned and purposeful) to eliminate the trade unions from the field of industrial relations and the economic arena. It is precisely such a political change that is at risk, concerning which the general director warned in his report.

Bulgaria began the economic reform in February 1991. Today it has to begin anew with macroeconomic stabilization and a restrictive payment policy. Inflation in the past year was 61 percent, and this year is 150-200 percent. Unemployment reached 15 percent. Production dropped by 30 percent, and thousands of bankruptcies are imminent. In this situation, it is hardly by accident that Bulgaria is becoming a dangerous proving ground for encounters with the trade unions, called "enemy number-one of the economic reform."

Wise and experienced people know that, in difficult times of crisis and war, the nation must unite around common goals. The MKSP and the EKP [European Trade Union Confederation] have already ordered such a policy for their social partners from East Europe. The Bulgarian trade unions and the workers are ready to take

up their heavy cross during the current dramatic period and to share the responsibility, but only as respected and equal partners. We understand well that, at this difficult moment, our position and firmness are decisive. However, we also need the assistance of the ILO. We are receiving this assistance already with respect to the training of trade unionists, and the results are already evident. However, the anti-trade-unionism in Bulgaria has already been converted into an official policy, which, in our opinion, requires that the country be subjected to special observation by the ILO, which is a specialized and particularly influential organization.

If this happens, the political change will truly be irreversible, the democratization will continue its normal course, and the economic reform will receive significantly greater social support.

There is no other alternative for the people of Bulgaria.

Thank you for your attention!

#### **Rakovski Legion Chairman Interviewed**

92BA1084A Sofia 24 CHASA in Bulgarian 5 Jun 92 p 2

[Interview with Major Rusi Gechov, chairman of the Rakovski Officers Legion, by Zhivko Ginchev; place and date not given: "Major Rusi Gechov: The Politician Must Stand Behind the Serviceman"]

[Text] *The legionnaires hope that the minister will not repeat the mistake of his predecessor.*

[Ginchev] Major, is your election as chairman of the Bulgarian Officers Legion a gesture toward Khaskovo, the birthplace of the league?

[Gechov] I take it rather as recognition of the clubs in the garrison; they are some of the most active. In addition, the idea for creating the legion sprang out of Khaskovo; we were some of the initiators with the late Captain Doychin Boyadzhiev. Perhaps that had weight in the election.

[Ginchev] Actually, how was the legion born?

[Gechov] It all began spontaneously, after publication of an article in the former newspaper NARODNA ARMIYA that said the changes that are gripping the entire country cannot bypass the Army and the police. It mentioned similar organizations in West Europe. Thus, from the very beginning, it was clear to us that the legion was not a precedent, that "Euromil" exists. We were convinced that the protection of our rights is a normal phenomenon for a democratic society. Therefore, we deliberately made contact with the European officers organization. From its charter, we learned that they see a serviceman not as a limited person, but as a citizen with shoulder straps, some of whose rights are limited.

[Ginchev] What is your evaluation of the present state of the organization?



[Gechov] The young and romantic period of the legion, in which it relied mostly upon the enthusiasm of the people, has passed. The officers corps had very many unsolved problems at that stage, and that prompted it to support us spontaneously. Subsequently, there was a normal pulling back. Therefore, at the last conference, we decided that we have to put forward new motives for membership, recognizing the reduced [word illegible] interests. The changes in the charter and the program are again directed toward protecting the rights of our members.

[Ginchev] Did you remember the reasons for that?

[Gechov] From its very creation, the legion was subjected to purposeful attacks from many places. I thought that, with the election of Dimitur Ludzhev, the attacks would stop, but, in the final analysis, the opposite happened—the pressure against us increased. The leadership of the legion was spat upon massively; they stuck labels on us from left and right.

[Ginchev] How do you explain former Minister Ludzhev's lack of sympathy of toward the legion?

[Gechov] I do not have personal contact with him, but, at the meeting in Sofia with our clubs from the land forces, many things were made clear to us. We were ready to discuss every accusation against us, but not on the basis of the different stories—rather, on facts. Then it became clear that he judged the activity of the legion from the files in his office. And, when it became clear that there was no basis for conflict between the legionnaires and the ministry, Ludzhev declared that some of his advisers and coworkers had overreached themselves somewhat. I hope the new minister will correct the mistake of his predecessor.

[Ginchev] Constant mention is made of 22 May, X day for the legion. Some said they are dancing at your last waltz.

[Gechov] Yes, it proved to be the case that, in the stage of enthusiasm, we ignored certain legal regulations with respect to registering our legion. One of our former colleagues, Krasimir Uzunov, decided to make use of this and to annihilate the organization by legal means. He believed that we had played our role and that we have nothing left to do except be a purely educational organization that will present flowers and wreaths on 3 March.

We did not agree. After 10 June, when the matter of changing the headquarters of the legion from Khaskovo to Sofia will be carried out, we will register in the court a new charter and the new leadership.

But X day did not take place, possibly because of a lack of instructions from above.

[Ginchev] Didn't this temporization create the prerequisites for registering an alternative organization?

[Gechov] This does not embarrass us. Any such organization needs many clubs that will stand behind it. People with self-seeking purposes would hardly organize this.

[Ginchev] What are the changes in the constitution adopted in Khaskovo?

[Gechov] First, it is consistent with the declarations of Euromil, of which we are a member. The extremely necessary article, according to which during wartime the organization disbands itself, was introduced. In addition, we declared that we are a professional, and not a trade union, organization. We rejected the strike as a means of advancing any goals. We decided the legion was not to be an elite organization and permitted clubs of sergeants and soldiers to have membership in it if we move to a professional army. The confederative principle provides conditions for this, but, within the legion, we will not permit the officers' table to be upset.

We also have the possibility of being associated with organizations with a purely patriotic purpose. The criteria according to which they will be accepted and the interaction with them will be decided by the coordinating council of our meeting on 20 June in Stara Zagora. My recent information confirms that, in many of the garrisons, sergeants clubs are arising spontaneously; our common goals oblige us to join them to us.

[Ginchev] Is there any thought of expanding contacts with the Ministry of Defense and with the Ministry of Internal Affairs?

[Gechov] The fact that we are recognized through the newspapers is confusing. On the other hand, the first work of the new leadership will be the development of a mechanism for interacting with the two ministries. They must see that we are a well-wishing partner. We have also delivered a letter to the Ministry of Defense in which we state that we want it to set up a working group with which we can develop this mechanism jointly. This will cut short the notion that the legion is opposed by the Ministry of Defense and that an artificial confrontation is desired. Ludzhev often attacked us because we had not developed a single draft law. We must emphasize that the legion does not have any disciplinary or legislative power or a legal department.

[Ginchev] What is your attitude toward the new law for defense and the Armed Forces that is being prepared?

[Gechov] We definitely do not like the way in which the draft law was discussed. It was kept secret until the last minute, after which one version was released for examination for three days, but not the version that will be introduced into the National Assembly. We insist that we obtain that draft and be able to speak our opinion during the working stage—that is, when it is discussed in the ministry. Up to now, practice shows that they are taking pains to present us with a fait accompli; the departments in the ministry are not accustomed to having an opposing opinion.

[Ginchev] What specific comments do you have about the draft law?

[Gechov] Nowhere does it speak about the competitive principle for acquiring a post. We insist on transparency; political force must stand behind military reform. The very concept ought to be introduced into parliament and there be voted upon. The good thing about it is it involves more political forces and a particular minister is not blamed in the case of a possible failure. The course of a reform depends on the funds allocated for it. It is clear to everyone that the changes in the Army will be quite costly. We know that reductions in the Army will begin in September. That will be a significant time for us. We want a precise and clear answer from the Ministry of Defense according to what principle officers and sergeants will be released, and what the criteria will be. And, not last, we insist on a clarification of the social program with respect to the reduced military personnel. There are three months left, and we still have no information.

[Ginchev] The large-scale layoffs from the Ministry of Internal Affairs provoked a lot of commentary. What is the position of the legion?

[Gechov] At the moment, the Officers Corps from the Ministry of Internal Affairs is subjected to harsh pressure, carried out on the basis of ideological convictions. People who were following orders during the revival process are being discharged. The annoying thing in the case is that they are being fired for "incompetence," but it is not clear what punishments those who gave the orders have received. In Lovech, people were fired after an invented case of attacks on the city by Ninjas.

[Ginchev] What is the most important thing the legion has achieved up to now?

[Gechov] It is wonderful that we have created an independent organization that has not become absorbed in political intrigues. Governments and ministers were changed, but we stood on fundamental positions and we did not follow any one minister. Many officers look to us for support because we insist on telling things as they are. And the accusation that we are a group of careerists hardly has any basis. Only Krasimir Uzunov has received a position in the ministry.

**Vaclav Klaus Describes Opposition's Tactics***92CH0834A Prague CESKY DENIK in Czech 24 Jul 92 pp 1-2*

[Article by Czech Prime Minister Vaclav Klaus: "What Is Our Opposition Like?"]

[Text] Even if it seems illogical at first glance, the character and temper of a political system is determined by the conduct of the opposition to the same extent as that of the government coalition. As we are now aware of that, let us attempt a preliminary evaluation of our political situation based on the debate held in the Czech National Council on the government's program statement. There we heard at least two kinds of endlessly repeated arguments, which are quite typical of the opposition's attitude, and which if expressed with a good measure of self-assurance, may mislead many a voter:

(a) For instance, we heard often that "it is necessary to define..." the standard market economy or a functional common state or whatever else. This demand has the tremendous advantage of never being fully satisfied if the government statement is not to become a vast encyclopedia. That the government is not able to meet this easily dished-out criticism is something the opposition knows very well.

(b) We heard equally as often about all the things "missing in the statement" and all those the opposition would tackle if it were in power. It does not matter that the suggestions brought up are wholly without an awareness of priorities and mutually incompatible. Nor does it matter that the government pointed out that what is involved is not (and cannot be) an exhaustive catalog of problems but merely a basic skeleton of goals and priorities, including the methods and procedures that the government intends to use in pursuing them.

Such arguments are routinely used by every opposition in the world and in this regard our opposition is no exception. It is an exception in that it actually does not present any positive program at all. Because each of the opposition parties has its own distinct specifics that merit attention, let us outline briefly the positions of the individual parties:

**HSD-SMS** [Movement for Independent Democracy—Society for Moravia and Silesia] is a fundamentalist and one-dimensional opposition. In its opinion the government statement ignores historical territorial units and disregards Moravia's and Silesia's autonomous position—even though, as it admits, it rather likes the government statement. It is not satisfied with the government statement leaving the issue of provincial self-government open and promising to pay close attention to it in the future. Had the government offered something more precise at this point, the result would be escalating demands and the reason for criticism would continue to exist. It is a pity that this opposition is not content with a radical decentralization of government administration and it is ironic that it has the ambition to pass itself off

as the "true-blue" representative of Moravia, although the election results suggest nothing of the sort.

**SPR-RSC** [Association for the Republic—Republican Party of Czechoslovakia] is a negativist and populist-purposeful opposition. It knows how to capitalize on the errors of the past political representation and how to skillfully misuse phrases such as: the protection of citizen safety, easy life of the government bureaucracy, dirty money, and debolshevization. Party deputies do not offer arguments, but claim the more loudly that the government cannot achieve anything because some of its ministers already sat in the previous government, which in their opinion did not achieve anything either. There is no prospect of agreement with the government because this opposition is out to cleanse our society not of the communist past, but rather of any conceivable government coalition.

Compared with them, the Left Bloc is a somewhat boring, uninspired, and mainly archaic opposition. It emphasizes that the government statement is an "amalgamated capitalist pledge," that it unabashedly prefers private enterprise, denies the need for state intervention in the economy, is oblivious of the common folk and their problems, and so on. Its stance glorifies the past and offers a return to it; thanks to this, it does not and cannot have any positive program. But with each passing day it is talking more loudly and must not be underestimated even for one moment.

The Social Democracy and **LSU** [Liberal Social Union] are a somewhat unclear and unpersuasive opposition. Strangely they had little to say on the government's economic and social policy, even though they had ample opportunities to do so. Their efforts not to lose face before their voters by being in some agreement with the government, while at the same time trying to keep a distance from the remainder of the opposition, that is, from the Communists and the Republicans, predispose them toward hairy formulations and political zigzagging. But they are in the parliaments, building a solid party apparatus and waiting for some misstep of the government coalition.

Despite that diversity, the opposition is relatively united. Aside from a frequently personal animus toward **ODS** [Civic Democratic Party] and other parties of the government coalition, it is being driven together by two considerations of a nonideological kind. On the one hand, it is the effort to preserve the common state "at any price," which clearly exposes the intent to preserve at the same time the Federal Assembly whose composition is more favorable to the Left, and on the other hand, it is the idea of a union-of-states arrangement on the federal or possibly republican level.

The opposition has clearly placed its bets on the sentimental feelings of many Czech, Moravian, and Silesian citizens, who were nurtured in the past by Czech and partly also by federal representation, by closing its eyes to certain political realities. But in recent days, the

opposition has begun to realize that this stance entails no small risk because the Czech public mood has begun to take a significant turn, thanks to the recent actions of V. Meciar and of the entire Slovak representation. Due to the firm stance of the Czech coalition, the opposition's room for maneuverability has shrunk considerably and the federal card is increasingly losing its value.

The "union of states" issue isn't much easier. The attempt to inject the idea of a union of states as a new element into the Czech-Slovak negotiations is doomed in advance simply because it is unacceptable to the Slovak side. While the proposal for a union-of-states arrangement of the Czech lands rests on certain historical traditions and enjoys support in Moravia, which cannot be dismissed, it certainly is not the most urgent issue the Czech Government. Facing the Slovak question must presently be tackled.

On these two topics the opposition up to now has maintained rare unity, and therefore, the difference between abstaining and voting against is merely symbolic—both signify a vote of no confidence in the government. Separating the opposition into "democratic" and undemocratic is a more or less academic concern and nothing can be built on it. Nevertheless, I believe that future talks will reveal other positions held by the opposition, and therefore the government is not giving up and will strive to establish the most constructive relationship possible with the opposition. For when it comes to the essential matters, we are all in the same boat.

#### **Slovak Journalists Comment on Election Results**

92CH0814B Bratislava KULTURNY ZIVOT in Slovak  
2 Jul 92 p 7

[Comments by reporters Jan Grexa, Sona Szomolanyiova, Ladislav Kovac, Peter Pistanek, Dusan Mitana, Rudolf Sloboda, and Oleg Pastier: "KULTURNY ZIVOT asks: 'What Won and What Lost in These Free Elections? Which Values?'" ]

[Text]

#### **Jan Grexa**

Besides the victors, several things won in Slovakia. In some it was sclerosis (the operetta of a democracy with a cast of only one state party was quickly forgotten), in others incompetence improved by the 40 years of socialist training (turn over civic liberties to the state in exchange for social certainties), still in others, illusions about a third way to a non-Third World, and in many, fear. Fear of the nationalist leftward trend, of how the old marauders are coming out in new club colors, fear of the posthumous children of the Soviet empire who are writing a new scenario called Not Far From Moscow, in order to realize the dreadful fear that our generation will still live under communism.

Sclerosis, socialist incompetence, and fear are not values, they are diagnoses. There can be a valuable lesson here; perhaps about the fact that in elections and politics only the prose of persistent handcrafted politics can succeed (I shall not mention the method) and not the poetry of brightening the spirit by political logic far from the noisy crowd. Victorious are the political hustlers, who no longer feel like working as insignificant lawyers, over those who accepted their functions as their unpleasant duty preferring to be important playwrights. But it so happens that in this period of transition, politics does not need a part-time politician, but a politician for 25 hours a day.

And what was lost? An opportunity to prove to the world that we are really moving toward a civil society and a modern, integrating process. We missed this express train, and who knows if we will catch the milktrain at midnight. But maybe I see the future as too bleak. Maybe we will not have national socialism, only social nationalism, and lower extremities for voting with our feet.

P.S.—God grant that this is just outright rubbish!

#### **Sona Szomolanyiova**

The winner was fear and uneasiness about opening up to the world of individual responsibility, competition and performance, therefore emotions which provide fertile ground for myth making. In our case, a belief in the success of some painless national third way to prosperity. The winner was the frustration of those whose unrealistic revolutionary expectations were not realized, as well as of those for whom November 1989 cast doubt on the meaningfulness of their warped value orientations and held up a distorting mirror to them, which they were unable to accept humbly and admit their individual contribution to the quagmire in which we are drowning. Cold calculation together with irrationality and inconsistency of the general human way of thinking, and allied with the fear of personal failure, envy, social infantilism, reaped a Pyrrhic victory in the elections.

The loser was the sense for solidarity, which already long ago Stur found wanting in the Slovaks. The ability and willingness to cooperate, to rise above the personal as well as group interests, make concession in the name of proclaimed democratic values, all failed even on the part of pro-federal democrats. The losers were the values of nonpolitical politics, which, in a hard power struggle with politicians trained by the communist system unburdened by any scruples, never had a chance to succeed.

The losers were realism and pragmatism, of which there was never a surplus in the history of our nation. Values of the freedom to think, of entrepreneurship and private ownership on which the market economy and a civil society rests, did not succeed in confrontation with the traditional orientation toward a strong leader and a guardian state. From the viewpoint of a person who has been staying since the day of the elections at the University of California at Berkeley, I must in conclusion observe with bitterness that our national self-confidence

suffered a severe blow. Because to be the dunce of Central Europe is indeed not a cause to feel pride and joy at Slovaks becoming visible like this.

#### Ladislav Kovac

The result of the elections in Slovakia is a true expression of the political and cultural immaturity of the Slovak ethnic. It makes topical the doubt Matusko expressed before his death: Are we a nation at all? We lack the universally shared values, unchallenged by no one, which are the characteristic—and the backbone—of a fully constituted nation. For the fourth time we have been struck by our historical curse: We have again joined that which in Europe represents the reactionary. Much is at stake; the cultural elite must not give up and resign.

#### Peter Pistanek

First of all, the loser was any kind of hope that a prosperous and free civil society can come into being in Slovakia. If things develop the way I think they will, there will be a tremendous outflow of capital and brains from Slovakia to the Czech lands, possibly to the West. All those who really know how to do something also know that they can do it anywhere else in the world. Young people do not have patience, they are not willing to wait many years more until the blockheads realize that they voted stupidly. I still do not know if that applies to me, too, but I feel that precisely at this time I must not abandon the people who count on me.

That which won, reminds me of a bad dream; this nation really did not elect anything else but a new normalization. And so I say to myself: Serves it right.

In conclusion, it is not without a certain malicious joy that I remind you of what I wrote before the elections to my colleague D. Taragel on the pages of the journal ARENA: Every nation gets the kind of government it deserves.

#### Dusan Mitana

Meciar is as inevitable for Slovakia as measles. And measles are not fatal—if an infant catches them. It would be worse if a man were to come down with the measles “in his head.”

#### Rudolf Svoboda

The people elected the government, the people will also throw it out.

#### Oleg Pastier

The recent free elections only confirmed what we have known or at least suspected for a long time. Habits, bad habits, addiction to the herd instinct, giving up the possibility of making one's own decisions about one's own affairs, the desire to place all the problems of society on the shoulders of a leader—all that was, is, and will exist for a long time yet. Juraj Spitzer expressed it more

precisely when he paraphrased a passage from Dostoyevsky: “When people win freedom, they become frightened by it, and their first thought is at whose feet to lay it down. They cannot bear it, they feel better in dependence, in a crowd. They call for a strong hand, because they do not know how to take responsibility for themselves.”

If some people expected that these elections will confirm the immutable values of every functioning democratic society (tolerance, ability to accept a different view, respect for human and civil rights), they only proved that they suffer from terminal naivete. We already noted the first signals of undemocratic steps taken by the victors. Others will certainly follow. It is up to each of us whether we identify with them or reject them because “it is too late to lock the barn door after the horse is gone!”

#### Aspects of Slovak Constitution Discussed by Media

##### Slovak President's Role

92CH0840A Prague LIDOVE NOVINY in Czech  
30 Jul 92 p 3

[Article by (jBs): “Head of State Will Be an Elected President”]

[Text] *We, the Slovak nation, bearing in mind the political and cultural legacy of our forefathers and our centuries-old experiences in the struggle for the existence of our nation and for our own statehood, assuming the natural right to self-determination in the constant attempt to strengthen a democratic form of government, guarantees for living in freedom, the development of spiritual culture, and economic prosperity, in the interest of cooperation with other democratic countries together with the nationalities living in Slovak territory, adopt this constitution of the Slovak Republic through our representatives.*

The above quotation is the preamble to the proposed constitution for the Slovak Republic.

According to the constitution, the head of the Republic is to be a president who will be elected by the SNR [Slovak National Council] in a secret ballot for a period of five years whereby, in order to be elected, he will need a three-fifths majority of the votes of all the members. He will be accountable to the SNR for the performance of his office.

According to the constitution, the president is to have the following authority: He will represent the SR [Slovak Republic] abroad, he will negotiate and ratify international agreements. He will approve and commission diplomatic representatives. He will convene meetings of the SNR and will also declare them to be ended. He may disband the SNR if, after three consecutive votes on a governmental program proclamation, there is not a vote of confidence in the government, or if a draft of a constitutional law is not passed after three repeated votes. He will sign SNR laws. He will appoint and



dismiss the prime minister and other members of the government, entrust them with the management of ministries, and accept their resignations.

The president is also meant to appoint and dismiss the heads of central agencies, state secretaries, and higher state officials, appoint professors and rectors of universities, and appoint and promote generals. He is to confer honors and grant amnesties.

The president of the SR is to be commander in chief of the Armed Forces. He will have the authority to declare a state of war on the proposal of the government, and he may declare war based on a decision by the SNR. He will declare any state of emergency. He will declare any referendum.

The president of the SR is to be able to return constitutional laws and other laws to the SNR with comments. He is to provide the SNR with reports on the state of the SR and serious political issues, he will submit drafts of laws and other provisions to it; he may take part in SNR meetings.

The president may be impeached by the SNR if, among other things, he acts in a way directed against the sovereignty and territorial integrity of the SR or performs activities aimed at removing the democratic constitutional organization of the SR.

Any citizen of the SR who is eligible to vote and is at least 40 years of age may become president of the SR.

The electoral period of the SNR, which is made up of 150 members, is to be four years. The draft of the constitution includes provisions on the prohibition to combine the office of president with that of a member of the government, a judge, a prosecutor, etc.

The government of the SR is to be accountable to the SNR for its activities; the SNR can express a lack of confidence in the government as a whole (as well as in each individual member). In such cases, the president will dismiss the government (or a member of the government). The prohibition to combine various offices also applies to members of the government. A member of the government may not simultaneously be a delegate or a judge, he may not have other paid employment or perform any entrepreneurial activity, he may not be a member of a department in a business entity.

The text of the draft of the constitution states that it should go into effect on 1 October 1992.

#### HZDS, ODS Comment

92CH0840B Prague TELEGRAF in Czech 27 Jul 92  
p 3

[Unattributed article: "Is It Not an Obstacle?"]

[Text] Bratislava—According to Vladimir Meciar, the head of the SR [Slovak Republic] Government (HZDS

[Movement for a Democratic Slovakia]), no postponement of any paragraph of the Slovak constitution to a later date will be proposed. The constitution will go into effect as soon as it is published in the Collection of Laws.

V. Meciar told that to reporters yesterday after he handed the draft of the Slovak constitution to the chairman of the SNR [Slovak National Council], Ivan Gasparovic (HZDS), and participated briefly in a meeting of the board of the SNR, which is dealing with the SR constitution and its relationship to the Federal Constitution. He stated that the constitutions of both republics should be compatible with the Federal Constitution. "If they are not, the constitutional court has the right to point out the discrepancy, but it may not annul the SR constitution," said V. Meciar.

"The effectiveness of the constitution is one thing. But the phrasing of the concluding and introductory provisions, which stipulate what the jurisdictions are, how and when they will go into effect, and which extant federal standards will cease to apply from that moment in the territory of the SR and which will continue to be valid—they are important points," was the reaction of Jiri Vlach (ODS [Civic Democratic Party]), vice chairman of the CNR [Czech National Council], to V. Meciar's statement. According to him, the latter issue was also discussed during the meeting of the chairmen and vice chairmen of the national councils in Bratislava on Monday. "We agreed that it would be very sensible to get information primarily on those passages and to come to some kind of agreement, to some measure of coordination in the process," said J. Vlach.

#### Politics, Economics of Nuclear Power Plant

92CH0821A Prague EKONOM in Czech 3-9 Jul 92  
pp 34-35

[Article by Alena Adamkova: "Temelin: Political or Economic Problem?"]

[Text] Besides the wrangling about the future setup of our state, another fight is "raging" in Czechoslovakia—about the future existence of the Temelin nuclear power plant. The problem was put on the front burner again in the middle of May by the then Prime Minister Petr Pithart, who said that the mothballing of the structure cannot be ruled out. Originally the decision was to have been made before the elections, then immediately after the elections. In view of the election results, however, the Czech Government in the end left the solution of the Temelin affair to the new government, and in the meantime the construction is continuing. In view of the fact that there are insufficient objective data (the study financed by the PHARE fund will only be ready in the fall) to make an educated decision, the postponement of the entire affair can only be welcomed.

Because finding one's way in the maze of arguments presented by the various interest "lobbies" is rather difficult, we tried to summarize the views of both

camps—proponents and opponents of Temelin. Let the reader make his own choice.

### Opponents' Group

Arguing against the Temelin nuclear power plant (otherwise referred to as ETE) are mainly the so-called Green initiatives—the Greens Party, the Greenpeace Movement (with generous support from Austria), Children of the Earth, as well as the Czech Ministry of Environment, which allegedly started this whole controversy. But according to another opinion it was the study made by the Power International company, contracted by the trade unionists from the North Bohemia Power Plants who are unhappy with the gradual closing of the oldest power-generating blocks and their replacement by precisely the Temelin nuclear power plant. They are afraid of losing their jobs, and they also do not want the profits from the north to go to the construction of Temelin. They are therefore demanding that the North Bohemia Power Plants be detached from the CEZ [Czech Power Generating Enterprises] and an independent enterprise created (which the government recommended at its session on 16 June). The study itself by the above-mentioned firm documents the enormous cost of completing Temelin (according to its estimate altogether 120 billion korunas) as well as the high cost of electricity produced by this method. It also challenges the expected moderate increase in the consumption of electricity here, and thus also the need to build ETE.

### Minister Dejmal: Strongly Against

Perhaps the strongest opponent of ETE is the Czech Ministry of Environment. "Construction in that locality should never have been started, it is the result of the Stalinist way of thinking which dealt with the problem of power supply in this megalomaniac manner," says the Czech Minister of Environment, Ivan Dejmal. In his words, nuclear power should not be used at all, because there always exists a certain irremovable risk, even if it can be minimized by safety measures. But today the future of Temelin, according to him, is primarily a question of economics, that is, a question of how effective is the investment. In his opinion, what should be kept in mind when making an evaluation is not only whether it is possible to get for the Kcs46 billion, which according to the CEZ calculation, will be needed to complete the construction of ETE, some other comparable and safer source of the potentially needed 2,000 MW, but also what impact the two blocks of Temelin will have on our power generation system.

According to Minister Dejmal, the power generating system based on large units is too closely bound to the state and therefore cannot be denationalized into smaller units. Thus, the state must continue to influence power policy by direct interventions (it must, for instance, guarantee loans for the construction of large power plants), and conversely, the power generating system necessarily influences the policy of the state. Modern power generating systems are therefore always based on

smaller units that allow a combined supply of electricity and heat, and in which it is possible at the same time to use primary power more efficiently and economically. Although the present coal power plants carry more risk from the ecological point of view than, for instance, Temelin, as Minister Dejmal admits, in 10 years we should be able to desulfurize all of them and install modern burning technologies. To that end, however, it will be necessary to stop the construction of ETE, which is eating up all the CEZ profits, or detach the North Bohemian Power Plants and make them into an independent enterprise so that they can earn money for ecological measures.

### The Nuclear Power Proponents

There are more proponents of completing the construction of ETE, it seems, than there are opponents. In addition to the nuclear lobby, i.e., the general supplier of ETE Skoda Prague, the general planner of Energoprojekt, and CEZ, we can count among them the Czech Ministry of Economic Policy and Development, which cooperated with CEZ in working out detailed data to be used as the basis for the decision by the Czech Government, and, in contrast to the Czech Republic Ministry of Environment, also the FVZP [Federal Committee for Living Environment], which is known for its pragmatic positions. According to the proponents of Temelin, several important factors speak in favor of its completion.

First, there is the expected increase in the consumption of electricity in the CR [Czech Republic]. Whereas until 1989 the consumption of electric power had increased here (the maximum consumption was 62.4 TWh in 1989, which put CSFR in the sixteenth place in Europe, in contrast to the consumption of primary energy, i.e., coal, gas, water, and uranium, where we have the third highest per capita consumption in the world), by 1990 the consumption of electricity began to decline. The cause of that was the general decline in the production of goods, but also the breakup of the CEMA market. However, consumption declined more slowly than production, so that the power intensiveness of production, high to begin with, increased even more. Last year, the consumption of electricity in CR reached 58 TWh. But according to projections arrived at by the method used by the World Bank, the marked decline in the consumption of electricity should stop toward the end of the year, then it should remain stagnant for two or three years, and roughly by the year 1994 it should begin to rise slowly, the same as production (by 1.8 percent per year on the average). The increase, of course, will not be caused by greater consumption by large consumers, but by small consumers whose share in consumption in the West is about two-thirds, whereas here it is only one-third. In industry, on the other hand, consumption should be decreasing as a result of restructuring and the introduction of modern technology. Then in the year 2000 production of goods as well as consumption of electricity should reach roughly the level of the year 1990.



We asked the first CR deputy minister for economic policy and development, Eng. V. Kupka, CSc., and Eng. D. Mateju, head of the department of developmental concepts at CEZ if we will need those 2,000 MW, which Temelin is supposed to produce. Yes, they answered. If we want to meet the international obligations to lower the emission of sulfur dioxide and at the same time to observe the limits determined by the law on the atmosphere, we must, in addition to desulfurizing, close down the oldest coal power plants which are no longer worth desulfurizing. The 1,990 MW that would be thus lost can be replaced most efficiently precisely by ETE.

#### **Nuclear Power Cheapest?**

It is precisely from the standpoint of minimizing the cost of electricity that, according to the CEZ study, production of electricity by ETE comes out as the most efficient. And, in addition, the calculations in the ETE case also include the cost of dismantling the nuclear power plant at the end of its life, the cost of disposing of the spent fuel as well as nuclear insurance, whereas in the case of the other alternatives the various ancillary costs were not calculated. In ETE the total marginal cost for producing 1 MWh would amount to about Kcs589, in power plants with a para-gas cycle of Kcs865 to Kcs1,112 per 1 MWh (depending on the price of gas), in power plants with liquid fuel-fired burners Kcs755 to Kcs1,098 per 1 MWh, in a desulfurized and denitrified power plant Kcs776 to Kcs1073 per 1 MWh, in a power plant with a powdered fuel boiler, desulfurization, and denitrification Kcs952 to Kcs1,293 per 1 MWh. Moreover, in the case of coal-fired power plants, the cost of cutting back the mining of brown coal was not included.

#### **Federal Committee for Living Environment Is in Favor**

In favor of ETE also argues, according to many experts such as Eng. Pavel Erban, director of the Research Institute of the Fuel and Power Complex and also an expert for UNESCO, as well as FVZP, the evaluation from the ecological point of view. While the risk of an accident at ETE can be calculated roughly as  $10^{-5}$ , that is, once in every 100,000 years, the negative impact of the North Bohemia Coal Power Plants on the environment is far greater. Moreover, far more radioactive elements escape from the smokestacks of coal-fired power plants into the atmosphere and then into the soil (ash) than from a nuclear power plant, not even mentioning emissions of sulfur dioxide, carbon monoxide, nitrogen and carbon dioxide—the causes of the greenhouse effect. Coal-fired power plants will produce them even after desulfurization, denitrification, and the introduction of modern burning technology. At a time when CSFR is getting ready to sign the convention on reducing the factors that cause the greenhouse effect, adopted at the Earth Summit in Rio de Janeiro, we definitely should not overlook this fact. On top of this there are also the negative effects of mining poor quality brown coal. According to Eng. Erban and FVZP, today we simply do not have an alternative other than nuclear power, because to operate fossil fuel power plants to any great

extent is already unacceptable on the global scale (for the world). Modern burning technologies (fluid, para-gas cycle, etc.) can serve only as additional local sources during peak hours, but not as the pivotal sources of energy.

The operational safety of ETE was evaluated this year by the American consulting firm NUS Halliburton. It came to the conclusion that Temelin is by far the safest of our nuclear power plants (the operation of the entire Jaslovské Bohunice has the most problems), it has, for example, a containment shell around the primary circuit and three safety barriers. According to the NUS Halliburton company, ETE will be fully licensed in the mid-1990's, that means, in accord with regulations, provided, of course, that some quite important measures that have been suggested by the mentioned firm are implemented. These are, for example, improvement of the control and procedure system (ASA), or the replacement of the original "Soviet" fuel rods by Western technology. The Halliburton Company also evaluated the accuracy of the method for estimating marginal costs used in the CEZ study, as well as the report of Power International, which it charged, is not applicable to the situation in Czechoslovakia because it is based exclusively on conditions in the United States. The Power International Company is, according to a statement by a representative of the Halliburton Company, totally unknown around the world.

#### **We Cannot Manage Without Foreign Loans**

Also very important is the question of financing the construction of ETE. The Czech Electric Power Plants obviously will not be able to cover the cost of its construction out of its own resources and will have to ask for foreign loans which require state guarantees (it is negotiating with the American bank EXIM and Italian banks, for example). As far as the opinion that Temelin is being paid for by the North Bohemia Power Plants is concerned, the First Deputy Minister for Economic Policy and Development of the Czech Republic, Eng. V. Kupka thinks that neither the North Bohemia Power Plants, nor the nuclear and hydroelectric power plants are capable of being fully self-financed (coal-fired power plants earn enough for desulfurization, but not for modernization as well). They all need loans, while estimates of the cost of completing the construction of ETE vary considerably. In addition, the high profits of the North Bohemia Power Plants are made possible mainly by the low, subsidized price of coal, so that it is actually the coal miners who are paying for Temelin. Problematic is the question of possibly paying the foreign credits by exports of electricity, with which FVZP, for one, does not agree (CEZ objects on the grounds that when we export concrete, steel, etc., we, in fact, are also exporting electricity). Of course, if all electricity produced by ETE were to be exported, the investment costs would be paid off within two years. But CEZ allegedly does not intend to become an important exporter.

And in conclusion, a plum. Many people in the know believe that behind all this clamor around ETE is the Siemens company; the temporary halt of the construction would suit it just fine. It would give it an opportunity to take over the order for supplying MIS, which previously was won by Westinghouse. That is also why Siemens is now offering its future partner Skoda to take over financial guarantees for Temelin, which it previously refused to do. At stake in all of this, of course, are the future supplies of technology for the modernization of nuclear plants in CIS.

[Box, p 35]

#### Temelin Nuclear Power Plant—Basic Facts

- Estimated time of completion: No. 1 block in 1995, No. 2 block 18 months later.
- Progress of construction: No. 1 block—completed: 90 percent of the construction part 60 percent of the technology part; No. 2 block—completed: 60 percent of the construction part, 30 percent of the technology part.
- Total cost (estimate): 68.1 billion korunas [Kcs]; of that amount spent on construction and paid to suppliers: Kcs21.3 billion.
- Remaining to be paid: Kcs45 billion.
- Possible cost of stopping and mothballing the building: Kcs47.7 billion.
- Possible cost for dismantling the building: Kcs53 billion.
- Cost if one block is completed and the other mothballed: Kcs59.2 billion.
- Cost if one block is completed and the other dismantled: Kcs60.3 billion

#### Concept To Attract Foreign Investors Discussed

92CH0843B Prague HOSPODARSKE NOVINY in Czech 29 Jul 92 p 9

[Article by Axel Tamm: "Does Czechoslovakia Have a Concept for Foreign Investors? Results of an Investigation in Joint-Venture Enterprises"]

[Text] St. Gall, Switzerland—*At one time, Prime Minister Klaus stated, at an international symposium at the university in St. Gall in Switzerland, that the CSFR was in need of more foreign investors and fewer consultants. However, does Czechoslovakia have an effective concept designed to recruit them?*

In their foreign travels, representatives of Czechoslovak public life are personally attempting to acquire investors. In their search for interested investors, Czechoslovak representatives are writing to chambers of commerce and Czechoslovak businessmen are visiting coproduction exchanges, such as the East-West exchange in Prague, Bratislava, and Brno by the hundreds. One can read and hear everywhere how important foreign investments are, particularly those conceived as long-term joint ventures so that the economy in the country could rise to a Western level. The importance of such investments was

confirmed also by a questionnaire campaign involving 146 managers throughout the territory of the CSFR. Not a single one of the respondents (!) felt that foreign capital would be "superfluous" or "bad."

What is at stake in this matter, in which all groupings and strata of the population have a broad consensus, is the fact that the all-national desire, which supports the influx of foreign resources, could suffer a defeat. If foreign daughter corporations with 100-percent foreign participation are a thorn in the side of the people and their political representatives, then support should be given at least to joint-venture corporations. That would result in foreign enterprises being addressed with equality and international firms could become a basis for the expansion of the Czechoslovak national economy.

How does the actual situation look at present? The introduction of a new Commercial Code eliminated the concept of joint venture and with it the special standing of this cooperational form from the text of the law. At the same time, shortly before the elections, the parliament approved a new tax law which will become effective on 1 January 1993. Thereafter, the tax rate for joint ventures with an annual turnover above 200,000 korunas [Kcs] will be raised from 40 to 45 percent. There is no longer any talk about the possibility of a two-year exemption from taxes for joint ventures which reinvest the majority of their profits. Also, the mushroomlike distribution of jurisdictions between the federal level, the Czech, and the Slovak agencies for foreign investment does not strengthen the flagging enthusiasm of foreign investors.

As a secondary result, it is possible to list the fact that the words of politicians, the efforts of various organizations in the economic sphere, and the positive attitude of the population of Czechoslovakia in its relationships with foreign investments are not being reflected in the form of corresponding concepts; actions are in conflict with words.

Perhaps Czechoslovakia does not consider it essential to offer joint ventures and foreign investors any supportive programs. It would be possible to acquire this impression if we were to believe the words of one of the deputy ministers for economy and development. He stated that foreign investors will be making investments in Czechoslovakia on the basis of Czechoslovakia's advantageous position even without special support from the state. This remark surely contains much truth because location is one of the fundamental reasons for investment decisions. However, in addition to such fundamental circumstances as location, the level of wages, the cost of national raw materials, the status of the infrastructure, undoubtedly the following question will also be investigated: "What does the host country offer me?" In the case of Czechoslovakia, the answer would be: There are not even any special fiscal (tax) advantages for foreign investors here, nor are there any financial supports

(subsidies); exceptions are made provided that the investor happens to be one of the Western megaenterprises.

So that we may not create a false picture, we must, at this point, mention that both republics are preparing supporting programs which take both domestic and also foreign enterprise entitlements into account. But that is precisely what is at stake—none of the programs is aimed particularly at foreign investors. If one compares this Czechoslovak “welcoming” of investments with the attractive offers made by other East European neighbors such as Poland or Hungary, or with the support programs that are in place in Ireland and Portugal, then these provisions appear more negative.

Another decisive criterion is investment risk. In 1990, Czechoslovakia was listed in the journal *EUROMONEY* in 39th place among the listing of countries from the standpoint of investment risk. In 1991, it worked its way up four places to be listed as 35th. In conjunction with the looming partition of both republics, the judgment of 35 experts from banks and financial and economic institutions, who annually set up the above listing, will certainly be less favorable for 1992.

The figures published by state organizations regarding the number of joint ventures are far too different. It is being said that the listing of international joint ventures is being constantly expanded, but defunct joint ventures are not struck from the register. Experts estimate that the share of joint ventures which are successful in the Czechoslovak market is only at about 25 percent of their total number. By the end of 1991, this would have been exactly 850 enterprises. Not a few of them are functioning merely as post office boxes. They were established by foreigners exclusively for purposes of creating an instrument for the acquisition of real estate. Because the number of tax auditors at financial offices is far from adequate, changes in the seats of joint-venture companies, which are not reported or reports of joint ventures made to official locations, do not result in any consequences, least of all for the joint-venture companies. The state is losing track and a part of its tax revenues.

This situation strengthens the desire for the issuance of more and more precise information regarding joint ventures, which are active in Czechoslovakia. A study conducted by the author of this article demonstrated that 90 percent of the firms employed fewer than 50 employees; a possible 80 percent of the firms employed fewer than 20 workers. The majority of firms that checked the questionnaire in the “less than 20 employees” column actually had two to five employees. These were the smallest possible enterprises. In conjunction with the shortage of office and operating space, they made use of their apartments as an office with relative frequency. The absence of telephone connections and office equipment strengthened the unprofessional impression.

The fact that 80 percent of the respondent joint ventures were active in the tertiary sector (services) and only 17

percent in the secondary sector (industry) was also of interest. If this unbalanced development were to be guided by supportive programs to appropriate tracks, the chance of creating relatively numerous new jobs would develop. In view of the current interim status of “only words for the time being, but no actions,” and in view of the above-listed considerations regarding location, risk, and the actual situation involving the establishment and functioning of joint ventures, it can be stated in conclusion that a special concept or motivation for foreign investors are not only desirable, but are urgently essential to the smooth creation of the Czechoslovak economy.

#### Effect of Tax Laws on Foreign Investments

92CH0843A Prague *EKONOM* in Czech No 28,  
10-16 Jul 92 pp 50-51

[Article by Eng. Jana Castkova and Eng. Roman Ferjanc, Southeast Treuhand/Ernst & Young: “A Permanent Operating Facility or a Daughter Corporation? A Comparison From Legal and Tax Standpoints”]

[Text] Vienna—*In our law practice, there are frequent questions by foreign companies as to whether and under what conditions they may establish a permanent operating facility in the CSFR. Another question our clients have involves the advantages or disadvantages of a permanent operating facility in comparison with a classic daughter corporation from the standpoint of taxes. As the result of a closer comparison, we have determined that the differences are not negligible and, in some cases, can result in substantial tax savings.*

#### Origin of a Permanent Operating Facility

If a foreign firm wishes to do business on our territory through its own permanent operating facilities, it may do so in two ways: The Commercial Code, in Section 21, Paragraph 4, states that authorization for foreign individuals to conduct business on the territory of the CSFR becomes effective on the day that entity, or possibly an organizational component of its enterprise, is recorded in the Commercial Register. We would like to note that an organizational component of a foreign entity that is doing business on our territory continues to remain a foreign legal entity, lest the fact of registration in the Commercial Register might mislead someone. Recording of a permanent operating facility in the Commercial Register is also customary abroad, for example, in Austria.

Furthermore, the Commercial Code, in Part XVIII, Sections 652-672, makes it possible for a foreign company to conclude an agency agreement, that is to say, it can let itself be represented in the course of business activities conducted on our territory by another person. If we take a look at the treaty to prevent dual taxation, for example, in the case of Austria, then both of these possibilities (an organizational component and an

agency agreement) are in fundamental accord with the treaty definition of a permanent operating facility.

A permanent facility (Betriebsstätte, permanent establishment) is defined in the treaty on preventing dual taxation involving Austria as being a positive facility (the location of its management, its branch, store, workshop), as well as a negative establishment (warehousing spaces, exhibition spaces, information facilities, research laboratories).

In individual specific cases, the determination as to whether an organizational component of a foreign firm is also a permanent establishment requires studying the appropriate treaty on prevention of dual taxation (provided one has been concluded with the country in question).

Construction projects and assembly projects are considered to be permanent establishments at the moment their duration on foreign territory exceeds a certain contractually stipulated time interval. For example, the treaty with Austria sets this limit at 12 months. In the event a treaty to prevent dual taxation has not been concluded or in the event does not regulate this matter, this limit is stipulated by the law on the income tax (Law No. 157/1989) and, as of 1993, by the law on taxes on earnings to be six months.

A dependent and possibly permanent agent almost always creates a permanent establishment for the enterprise he is representing, and whether he is working for the corporation as an employee or as an independent entrepreneur is not decisive. Both an individual and also a legal entity can be an agent. The precise definition of the terms "dependent" and "independent" is never simple. For example, a permanent establishment is not involved in the event the representative—a broker or a commission agent—is acting within the framework of his own customary economic activities and is neither legally nor economically dependent upon the enterprise represented.

However, if the representative in a foreign country is bound by instructions from the enterprise being represented, if he has its power of attorney and if he makes use of this power of attorney in the conclusion of economic agreements to benefit the represented enterprise, then this is quite surely a permanent establishment.

The definition as to whether a foreign firm is doing business on the territory of a foreign country through its permanent establishments is important from the standpoint of determining which country is eligible to receive the profits achieved as a result of business activities. Basically, the country in which the enterprise has its seat is entitled to impose taxes, but the country of the source of the profits may, by agreement to limit dual taxation (or by internal regulation), reserve the right to impose certain limited taxes.

### Origin of a Daughter Corporation

A daughter corporation of a foreign firm comes into being according to Section 24 of the Commercial Code as a partner of a Czechoslovak legal entity or as the sole partner of a Czechoslovak legal entity. A daughter corporation also has the obligation to register in the Commercial Register and, in contrast to an organizational component, is a Czechoslovak legal entity with the same rights and obligations as a Czechoslovak corporation.

### Attributing Profit to a Permanent Establishment

For purposes of recomputing profits achieved by the basic enterprise and attributing them to individual permanent establishments, two methods have been developed in international taxation practice: the direct method (dealing at arm's length principle) and the indirect method.

The direct method requires that the permanent establishment be theoretically considered to be an independent enterprise. This theoretical prerequisite frequently encounters difficulties in practice, particularly in cases where the permanent establishment does not fulfill all of the functions of such an enterprise. According to the sample commentaries issued by the OECD and applicable to Article 7, Paragraph 2, "all profits which could be achieved by a permanent establishment if it were to engage in identical or similar activities under identical or similar conditions as an independent enterprise and if it were in a completely independent relationship with that enterprise" must be attributed to the permanent establishment.

Operating costs, that is to say, rental, interest, and other similar actions taken to benefit a permanent establishment, must be accounted for only to the extent of their actual nominal values, fictitious interest rates may not be listed at all. Overhead costs are broken down in accordance with an appropriate key. A permanent establishment which produces its products and makes use of inventions that have been patented by the parent organization is not entitled to bill the parent organization for licensing or know-how fees as part of its operating costs.

Example: Austrian businessman J. Boehm owns an enterprise for the production of gloves at Graz; in addition, he has a permanent establishment in Ceske Budejovice. Within the framework of the basic assets of the company, Mr. Boehm owns a glove-making machine for the production of special sporting gloves. His annual write-off amounts to 500,000 korunas [Kcs] for operating costs and Kcs105,000 for maintenance. This machine is in use in his permanent establishment approximately six months each year.

For lending the glove-making machine to the permanent establishment, no fictitious rental may be charged, but only the actual costs attributed to it. No profit may be listed. Nominal expenses in our case amount to Kcs325,000 annually.

The indirect method of attributing profit to a permanent establishment consists of previously established keys which are customary in one of the contractual countries involved and which lead to appropriate results. The



starting point is the profit achieved by the parent organization, which is broken down in accordance with the key for individual permanent establishments. The advantage of the direct method lies in the fact that the distribution key is known ahead of time and does not depend on having the expenditures, which are transferred from the parent organization to the permanent establishment recognized by the Office of Finance. Moreover, the need to list all transactions between the parent corporation and the permanent establishment disappears and, to the extent the permanent establishment may suffer a loss, this is automatically compensated for by the profits achieved by the parent organization. In the CSFR, for the time being, the opportunity to carry losses forward to future years does not exist for legal entities; the tax reform of 1993 solves this problem by deducting losses from the tax base at the latest over the five succeeding taxation periods (Section 34 of the law on the income tax).

The disadvantage of the indirect method is the determination of the key that attributes profits to the permanent establishment. The key is most frequently established on the basis of a certain share in sales, wage costs, enterprise property, or capital. Another disadvantage of the direct method is the fact that, according to the internal tax law, the size of the before-tax profit for the same enterprise can vary substantially in different countries, particularly thanks to different ways of listing it and as a result of using different balancing methods.

Organizational components of foreign firms will have the amounts of their profits stipulated even this year (according to information obtained from employees of the Federal Ministry of Finance), in the same manner as commercial agencies established in accordance with Decree No. 265/1990 in the past—by the key governing the allocation of profits between the parent organization and the permanent establishment. At present, this involves the so-called gross (5 to 8 percent) or net (1 to 2

percent) commission, which is based on the overall turnover achieved on our territory. The commission worked out in this manner is then the basis for a 40-percent profit tax; in the case of gross commission, the tax on profits is computed after deduction of necessarily made expenditures.

#### Attributing Profit to Daughter Organizations

In contrast to a permanent establishment, a daughter corporation is legally an independent enterprise that is shared in by the parent organization directly or indirectly. We are dealing here with two units that are subject to taxation of their profits in one or the other country to the full extent.

#### Transfers of Dividends Abroad

Dividends from a daughter corporation, which are transferred abroad, are customarily subject to taxation both in the source country and also in the country where the parent organization has its seat, provided internal state regulations do not decree otherwise. The treaty on preventing dual taxation sets the ratio of taxation in favor of the source state and the state in which the corporation has its seat.

Revenues based on dividends transferred to Austria from daughter corporations (as long as the share of the parent corporation is higher than 25 percent) are exempt in Austria from profit taxes (international affiliation privilege). However, in the source country—that is to say, in Czechoslovakia—these profits are subject to the income tax, which is collected by deduction in accordance with Section 19 of the law on the income tax, Law No. 157/1989 SB, provided the treaty on preventing dual taxation does not stipulate otherwise. The treaty on preventing dual taxation between Czechoslovakia and Austria reduces this rate to 10 percent.

#### Comparison Between a Permanent Establishment of a Foreign Firm and a Corporation With Limited Liability With Foreign Capital Participation From the Tax Standpoint and From the Standpoint of the Treaty on Avoiding Dual Taxation With Austria (Netherlands)

Item	Corporation With Limited Liability	Permanent Establishment
Tax on profits	40%	40%
Tax base	Pretax profit	*
Social and health insurance	0	25%
Tax on wage volume	50% (20% for selected activities)**	0
Taxed in source country (licenses)	5% (5%)	5% (5%)
Taxed in source country (interest)	0% (0% in Netherlands provided capital share exceeds 25%; otherwise 10%)	0% (0% in the Netherlands)
Taxed in source country (dividends)	10% (0% in the Netherlands)	Does not exist
Czechoslovak legal entity	Yes	No
Obligation to register	Commercial Register	Commercial Register
Small business authorization	Yes	Yes

\* This involves a so-called gross (5-8 percent) or net (1-2 percent) commission which is based on the total turnover achieved on our territory. The tax on profit at 40 percent is then computed on the basis of this commission.

\*\* The tax on wage volume includes social and health insurance.

Example: An Austrian corporation with limited liability participates to the extent of 51 percent in a Czechoslovak capital corporation (again with limited liability). According to the treaty to avoid dual taxation involving Czechoslovakia, however, dividends paid out in the source country (that is to say, Czechoslovakia) are subject to a 10-percent tax. For this reason, it is not completely possible to utilize tax exemption in Austria.

However, if a Netherlands capital corporation were to enter this transaction, the tax rate within the framework of the agreement on avoiding dual taxation between Czechoslovakia and the Netherlands would be reduced to zero. Also, the treaty on avoiding dual taxation between the Netherlands and Austria has a zero rate of taxes based on paid-out dividends. In this case, therefore, it is possible, thanks to the Netherlands Holding Corporation, to siphon off untaxed profits to Austria and, at the same time, to make use of Austrian tax-exemption provisions under terms of the international affiliation privilege clause.

The utilization of these bilateral agreements on limiting dual taxation (the Netherlands Holding Corporation was established only for the purpose of siphoning off untaxed dividends from Czechoslovakia) is referred to as tax treaty shopping and is considered by some taxation specialists to be illegal. Others favor the view that this procedure is possible, provided that the national taxation law is not violated at the inception of the entire transaction.

In 1993, a reform of our taxation system will take place and taxes for permanent establishments and capital corporations will be regulated in accordance with the income tax law dated 28 April 1992. In both cases, the profits tax will be 45 percent and its increasing by five percentage points will be left to the authorities of the national governments.

However, the method of attributing profits to permanent establishments will continue to be a matter of dispute.

### Private-Sector Registration Information

92CH0821D Prague HOSPODARSKE NOVINY  
in Czech 10 Jul 92 p 8

[Article by Jaroslav Jilek, FSU [Federal Statistical Office] deputy chairman: "Private Sector—Already a Fairly Noticeable Share"]

[Text] Although private, it was mainly repair shops that were active under the licenses issued by the former national committees in previous years; the actual registration of small, private entrepreneurship didn't begin until May 1990. Entrusted with processing the registration, which includes the mandatory assignment of the so-called identification number of the organization (ICO), were the oblast branches of the State Statistical Office. In view of the quite liberal conditions, gradually not only start-up merchants and tradesmen registered, but also citizens who wanted to be employed in private enterprises because it meant tax advantages for those private enterprises (these advantages disappeared by 1 January 1992).

The status of the registration, according to sector classification of economic activities (OKEC) as of 31 March 1992, is shown in Table 1.

The sectors with the most registrations recorded are the processing industry, real estate, real estate rentals, services for enterprises, R&D, trade, motor vehicle and consumer goods repair, and the restaurants and lodging sector, which was chosen by 81.2 percent of small entrepreneurs. In the Slovak Republic, 22.7 percent registered as entrepreneurs, which is less than the population ratio. Although the configuration by sector of the small entrepreneurs in both republics is not consonant, in the dominant sectors it is analogous.

Table 1. Small Private Entrepreneurs

Sector according to OKEC	CSFR	Czech Republic	Slovak Republic
Total number of registered private entrepreneurs	1,423,539	1,099,252	324,287
Includes sectors in percent:			
Agriculture and gamekeeping, forestry	3.4	3.2	4.4
Fishing, fish-breeding enterprises, services for fishing industry	0.1	0.1	0.1
Mining of mineral raw materials	0.3	0.2	0.4
Processing industry	23.5	24.5	19.9
Production and distribution of electricity, gas, and water	0.1	0.1	0.1
Construction	19.4	18.2	23.4
Trade, repairs of motor vehicles and consumer goods	17.2	16.2	20.6
Restaurants and lodgings	5.3	5.7	3.8
Transportation, warehousing, communications	3.7	3.8	3.5
Banking and insurance	0.2	0.3	0.1
Real estate, real estate rentals, services for enterprises, R&D	21.1	22.0	18.1

Table 1. Small Private Entrepreneurs (Continued)

Sector according to OKEC	CSFR	Czech Republic	Slovak Republic
Public administration, defense, mandatory social insurance	0.4	0.4	0.4
Education	1.2	1.2	0.1
Health care, veterinary surgery, social services	0.4	0.5	0.9
Other public, social, and personal services	3.7	3.6	4.0

According to the status toward the end of 1991, small entrepreneurs represented about 93 percent of all entities entered into the statistical register of organizations. In addition to them there are state enterprises or corporations, cooperatives, private, international, foreign, or mixed entrepreneurial entities, and organizations belonging to the government and nonprofit organizations. For analytical purposes, the private sector comprises the aggregate of entrepreneurial entities whose owners are Czechoslovak households (small private entrepreneurs) and firms where private (Czechoslovak), foreign, or international ownership predominates. Toward the end of the year, about 1.2 million individuals worked in the thus delimited private sector, which represents about 16 percent of the total number of employees (on 31 November 1991 it was about 6 percent, and on 31 December 1989 about 1 percent).

#### Statements, Estimates, Research

Data on the private sector are based on statistical or accounting statements, which are regularly submitted by entities registered with trade courts (or previously in the enterprise roster), as well as on estimates. These estimates were originally based on the number of registrations of small private entrepreneurs with offices of the State Statistical Office (according to Laws No. 105/1990 and No. 455/1991) and on estimates of their productivity (labor productivity, earnings according to selected 1,000 tax returns).

At the beginning of 1992, a survey of several thousand randomly selected small private entrepreneurs was conducted through questionnaires sent out by a network of

institutes engaged in sociological research. On the basis of about 6,500 usable responses (such "responses" were structured according to roughly 70 questions, of which only one third could be used to obtain the so-called "hard" data, i.e., quantifications commensurable with the indicators in statistical reports) new estimates were made of the activities of all small private entrepreneurs, for both 1991 and 1990. Data, particularly in the breakdown according to activity, were adjusted further according to results obtained from processing the 1990 tax returns from most of the regions of the Czech Republic.

#### Almost One-Tenth of Value Added

According to a preliminary estimate, the volume of the gross national product in CSFR in 1991 was 977.8 billion korunas [Kcs] in current prices. The value added created in the private sector represents roughly 9.3 percent of that amount, that is, Kcs90.9 billion.

The remaining part of the private sector comprises private and personal output of farmers who work according to different legal norms and are included in agricultural production on the basis of independent inquiries, output of individual builders produced by their own hands (family cottages, etc.) and other kinds of output produced by the people (including living in their own homes). According to the estimate, this part of the private sector contributed significantly to the total value added in 1991, but its importance in the structure of the private sector is declining markedly as a result of the particularly small degree of privatization of agriculture in CSFR.

Table 2. Directive Calculation of Value Added for the Private Sector by Types of Business and Activities of the Population

Private Sector	In billion Kcs	In percent
Total	90.9	100.0
Includes:		
Enterprises with over 100 employees	9.0	9.9
Enterprises with under 100 employees	12.9	14.2
Small private entrepreneurs (not entered in the roster of enterprises)	33.7	37.1
Other	35.3	38.8

It is estimated that the so-called small private sector, i.e., private firms with up to 100 employees and small private businessmen not entered in the roster of enterprises,

shared in the total created GNP of the CSFR in 1991 by about 4.8 percent. At the same time it has to be admitted that these statistical estimates may be underestimating



the reality. (In using tax returns, we must not overlook the tendency to evade taxes, which is most likely also manifested in the results of the surveys.) So far we do not know how to calculate the extent of these distortions.

On the basis of processing the statements from small organizations and results obtained from the questionnaires, we can give a rough breakdown of value added for this group according to the type of activity—see Table 3.

**Table 3. Breakdown of Value Added by Sectors in Enterprises up to 100 Employees and Small Private Entrepreneurs (in Kcs billion)**

CSFR	Small Enterprises	Small Private Entrepreneurs	Aggregate
Total	12.9	33.7	46.6
Includes:			
Industry	2.3	8.7	11.0
Construction	2.1	8.0	10.1
Trade	3.9	3.6	7.5
Other activities	4.6	13.4	18.0

For other types of activity—particularly small private entrepreneurs—the share is substantially bigger than was recorded in the entire Czechoslovak economy.

#### Unregistered Activities

Indicators of the activities of the private sectors, submitted by the present CSFR Statistical Office, leave out the gray, unregistered economy, and other, often illegal activities. The introduction of market economy in CSFR, which is dated from 1 January 1991 when most consumer prices were liberalized, practically eliminated a number of the activities of the hidden economy typical for the centrally planned economies, such as black market with scarce goods, secret private businesses, buying goods on speculation. However, some other activities of this type are continuing (prostitution, bribery), and after opening up to the world, new ones are appearing (drug trade, tax evasion, employing the unemployed abroad, and to some extent even at home, without reporting it). The forms of illegal activities remain for the time being hidden not only from the official agencies, which should be suppressing them, but also often from journalists and sociologists, so that it is difficult for the statisticians to make any kind of overall estimate of them. For example, in the case of people who are looking for work in CSFR (and often are getting unemployment benefits) and at the same time are working in neighboring countries (as a rule without a permit), their numbers are sometimes estimated to be as much as several tens of thousands.

#### Savings Bank Accepts Coupons as Loan Guarantees

92CH0821B Prague HOSPODARSKE NOVINY  
in Czech 10 Jul 92 p 3

[Interview with Eng. Jiri Valecek, head of business policy and marketing of the Czech Savings Bank, Inc., by Anna Wurmova; place and date not given: "Loans, But With Usual Terms' for Shareholders of the Largest Privatization Fund"]

[Text] *More than a million citizens have entrusted their investment points to the Savings and Privatization, Inc. Those who invested all of their 1,000 points in this company can take advantage of the offer made by the Czech Savings Bank to obtain loans in amounts of up to 11,000 Czechoslovak korunas [Kcs].*

*It is assumed that about half of our citizens will show interest in the loans. The Czech Savings Bank started giving them this week. Where are its guarantees that it will get them back?*

*We put that question to Eng. Jiri Valecek, head of business policy and marketing of the Czech Savings Bank, Inc.*

[Valecek] The loans have a longer term of maturity, specifically 30 April 1995. Therefore, we assume that many clients will pay them off, and against those who do not we shall exercise the right of lien. Until the full amount of the loan is paid, the dividends will be used for that purpose. We also believe that securing the loans with shares of the Savings and Privatization, Inc. is adequate. So that even here we should not be at any great risk if a loan is not paid off.

[Wurmova] They are Czech Savings Bank loans, so they obviously come within the limit on loans established by the State Bank for the Czech Savings Bank. But that reduces the amount of money available for other business loans, doesn't it?

[Valecek] In their way, loan limits always restrict loan activity. The same situation existed even before we began to grant loans to shareholders, and it will last until the limits are rescinded. Obviously, loans to shareholders fall within the limit, so that de facto the amount of money left for loans both to citizens and to legal entities or entrepreneurs are defrayed from the same source. But for our part, this is the business activity of the bank and we, as an entrepreneurial entity, choose to place invest resources in the way that we consider to be the safest and most effective.

[Wurmova] Did you expect such a great, immediate interest in the loans?

[Valecek] Because it concerns payment of cash, people naturally try to get it immediately in the first few days. But there is adequate time to submit the application, actually until 31 October. So that at this time it is better to wait until the first, heavy rush is over, when it will be certainly possible to get a loan with a less demanding maturity date.

[Wurmova] Where can a client go to have the loan application processed?

[Valecek] Those citizens who have in their coupon book a Prague control number can apply at the Savings Bank branch in Skorepka. The citizen who goes there will arrange with the Savings Bank to have his application definitely processed on the next available date. At the present time, customers are being scheduled for next week.

[Wurmova] And what about outside Prague?

[Valecek] I have no directives on that. The method of processing these applications will be decided by the appropriate directors within the framework of individual regions. They will determine the branches which will negotiate the loans for the citizens.

Those who have a control number of the Slovak Republic can use the services of the okres branch of the

Savings Bank in Hodonin. They can negotiate the terms of the loan in advance by telephone; telephone number: 0628/22012, ext. 221.

[Wurmova] Who is entitled to the loans, and what are the terms under which they are given?

[Valecek] Only a citizen who entrusted all 1,000 investment points to the Savings and Privatization company is entitled to this loan. We grant it under the usual terms established for commercial intermediate cash loans at the prevailing interest rate. At this time it is 16 percent. But the interest rate can be changed, depending on the discount rate of the Czechoslovak State Bank and on market conditions.

[Wurmova] How should the applicant proceed?

[Valecek] The applicant must submit proof of identity, the coupon book, and a confirmation from the coupon privatization center that he turned over the investment points to the Savings and Privatization company.

[Wurmova] What is the due date of the loan and what happens in case the loan is not paid off?

[Valecek] The due date of the loan is 30 April 1995. Its guarantee will be the pledged shares of the Savings and Privatization Company, which will be in the custody of the Czech Savings Bank until the loan is paid off. The Czech Savings Bank will settle the outstanding amount out of the earnings of those shares first, and then if necessary, it will apply the right of lien to the shares of the Savings and Privatization Company.

**Skepticism Over National Budget Practices**

92CH0826A Budapest TOZSDE KURIR in Hungarian  
16 Jul 92 pp 1, 6

[Article by Gyorgy Jaksity: "'Liar's Poker'; The Dimensions of Public Finances and Misrepresentation"]

[Text] *Talking about the budget and its deficit and about the reform of public finances has become fashionable today. At the same time, apparently and perhaps in fact unintentionally, misconception and misrepresentation permeate all dimensions of public finances. The manipulation of earlier years, known from Orwell's definition of controlling the past—and thus the future—today is merely the result of self-deceit. To avoid any misunderstanding, our renewed discussion of the budget deficit, and its effect on the entrepreneur sector as well as the entire economy in particular, is not our platform to demonstrate pride that our January prediction, which was still rather isolated at that time, has come true but, rather, is proof of our skepticism, which has been increasing ever since.*

**The Orwellian Dimension**

The budget has been in the red since 1968, but that presented no problem for the financial managers who were no doubt raised on Orwell, for the misrepresentations of reality were not just everyday practice, but also for the enjoyment of the power establishment.

The 1990 budget deficit—a legacy of the Miklos Nemeth administration—was the most modest one in Hungary's most recent history of more than two decades of deficits, and not even the economic liberalization that began in the late 1980's would have caused an accumulated deficit significantly in excess of 100-150 billion forints [Ft] if its role in the management of public finances had been changed in time.

Unfortunately, that did not happen, indeed, the practice of downgrading the economic problems until they became insignificant was continued. That is the only explanation for the fact that the parliament approved—perhaps in anticipation of the frolic on New Year's Eve—the Ft69.8-billion deficit that was projected in the 1992 budget plan, even though the 1991 budget could have served as an excellent example because that, too, exceeded the ceiling by Ft35 billion. But ever since the Finance Ministry (PM) worked out the supplementary 1992 budget and the concept of the 1993 budget, apparently it is no longer fashionable to live under the magic of small figures, as PM officials are constantly outdoing each other in escalating the figure of the next two years' budget deficit. That is how we found out a few weeks ago that the 1992 deficit will be more likely three, rather than two, times higher than planned and that the 1993 deficit will exceed even that (according to estimates, it is expected to amount to Ft200-250 billion).

**The Dimension of Telling the Truth**

In the meantime, in accordance with the ancient practice, namely, that the messenger of bad news must be killed, the administration delivered a swift blow to the Economic Research Institute, one of the Hungarian economy's intellectual workshops that was among the first to inform the professional circles that the 1992 budget deficit was expected to exceed Ft150 billion. Kurt Vonnegut's favorite conclusion would be quite appropriate here: "So it goes."

Let us proceed, following Ariadne's yarn in the maze of public finances and Hungary's economy. We cannot boast about being thoroughly familiar with state accounting, so we will not take this opportunity to steal away from PM experts the exciting task of reforming the budget; instead, we will examine the morbid relationship between public financing and the economy's other players.

**The Lies of One's Own Bank**

In order to understand the morbidity of this relationship, one must first note that, according to the classic theory of finances, state debt is devoid of risks, i.e., the purchase of state bonds is the best investment. It stems from the fact that the state cannot become insolvent because, in its role of being both a public authority (taxes) and the best debtor (issuing state bonds), it has all the means for redistributing the resources coming from the private sector. Without delving into this chilling and over-discussed topic, we can state that, in principle (and in Hungary, more and more in practice), the state will stifle the investments of the private sector (the corporate sphere and the households) in this way. And this is still better at the moment than the third solution, namely, the state borrowing money from the central bank, for that would, in great probability, lead to inflation.

How wonderful it is when a chronic borrower has its own bank. Incidentally, certain groups of private entrepreneurs have also discovered that, the results of which became widely known when the State Bank Superintendency ordered the auditing of three banks. When one can borrow from one's own bank, then sooner or later it becomes conceivable that one's demand for credit becomes more important than one's role of bank ownership, which in turn affects the given bank's liquidity—to put it mildly—in an undesirable way. In plain language, it becomes insolvent, and the unsuspecting pedestrian finds out about it through the sight of angry people standing in long lines in front of the bank's branch offices.

The situation is somewhat more complicated when it is the state that has its own bank, for its depositors consist of all banks, and the depositors of all the banks consist of the given country's companies and population. The dramatic character and the catharsis of the economic players are further pronounced when the state's bank borrows from abroad in order to finance its loans to the state. More recently, however, in connection with the

financing of the budget deficit in modern spirit through the capital market, the state's own bank was able to emerge as the buyer of the debt that we accrued. And since inexpensive resources are needed (an evidence of a lack of moderation), the profits of its own bank are gradually decreasing. Just a reminder: MNB [Hungarian National Bank] 1990 profits were Ft17 billion, its 1991 profits were 10 billion. A prognosis: The MNB's profits will be close to zero in 1992 and, should it end the year in the red, then such proximity would definitely be good.

### The Dimension of Financing

The non-central-bank financing of the budget deficit also raises a few misunderstandings that have been accepted in everyday parlance. One such characteristic anomaly is the use of the proceeds of privatization for financing the deficit. We must find fault with that from two aspects. On the one hand, the debt and state assets are projections of one and the same thing, just as a company's assets are financed with resources. Thus, it is logical that a decrease in assets entails a decrease in resources. Incidentally, that is also manifest—although with a time delay—in the present structure, for the proceeds of privatization elicit subsequent debts that are currently financing the deficit. On the other hand—and this is the larger problem—the process makes the budget deficit appear smaller than it really is. The apparent decrease is not small, for the total deficit will amount by year's end to more than 10 percent.

Another misunderstanding, which is somewhat more intentional than the one above, is that the deficit is financed with private savings deposits. That is actually true, but the misrepresentation in this case, too, results in a limited perception of reality. For it does matter whether direct financing is done through the banking system or through direct purchases of state bonds by the households (or perhaps by institutional investors who manage private savings). Thus, for instance, in the case of the 1991 deficit, the view that the larger-than-planned deficit was financed with sharply increased savings is entirely false, even though this was true at the macroeconomic level. In connection with both last year and this year, the situation is made even more complex by the emergence of money originating from the inflow of foreign capital as a resource.

It would somewhat improve the budget situation that makes it impossible to achieve a balance of the capital market, if the young Hungarian insurance industry did not have to face problems that are increasingly beyond its means. The problem here is exacerbated by the fact that the state wants the private insurance business to appear as public welfare and, in a manner that is hard to understand, hinders the insurers in developing certain structures. Yet, these are precisely the institutional investors who, because of their classic role, are the permanent financiers of the budget everywhere in the world. In Hungary, however, as clearly demonstrated by the example above, bureaucratic regulation, which is spreading completely in line with Parkinson's principles,

makes it impossible—among other things—to provide this growing bureaucracy with the necessary resources.

### The Dimension of the Two-Faced State Debt

The question of the budget deficit's financing is not yet solved by generating the desired resources. It has an unpleasant side effect, namely, that of increasing state debt. And state debt is, as we have seen, risk-free because it is customarily paid back. The question here is, with what?

The Hungarian state debt consists of two parts: of the loans provided for financing the existing budget deficits and of the differentials of the devaluations of the forint arising from foreign debts. The amount of interest on loans up to 1990 is 40 percent of the given central-bank base rate. Beyond that, it would not be wise to calculate interest, for the interest on loans equalizes through the differentials of the devaluations and the difference of their real capital costs equalizes at the partial payment of the amount of the differential. In other words, a further examination of the anatomy of state debt reveals that we can talk about a combination of the interest-bearing bond and the zero coupon bond only when the dividends of the zero coupon bonds and the interest paid on loans result in the real dividend secured by the state debt.

Yes, but there is a small problem here, too. No matter how thoroughly we examine the structure and maturity structure of national debt, we will find that the differential resulting from a devaluation does not have a period of maturity, i.e., it does not expire. From that it follows that part of the debt is like a zero coupon bond without maturity, which is the same as if the discount treasury bonds issued today did not have a maturity. (In this fictitious case, the crowd at auctions would be much smaller.) Thus, part of the national debt is not only not risk-free but, on the contrary, is infinitely risky, even more so than the worst junk bonds. The size of that inventory was Ft778 billion on 31 December 1991 and, since then, as a result of the two smaller devaluations, it has increased to more than Ft800 billion.

This funny, Disney-like element of the state debt would embarrass even the Treasury bond traders at the Salomon Brothers Investment Bank, the investigation of which began last year, even though they are quite determined fellows, as demonstrated at the auctions of U.S. Treasury bonds. The best insight into the special world of the Treasury bond traders at Salomon is offered by an ex-trader named Michael Lewis in his book entitled *Liar's Poker*. Liar's poker is a game in which two or more players put dollar bills on their chests and bet on the number of the occurrences of a particular number in the serial numbers of all the bills. The winner is the one who has the best prophetic ability. Incidentally, the game of liar's poker could be the best method of training for bond traders.

Our modest proposal is to introduce the game in Hungary, adapted to the real figures of next year's budget, for example. And, in order to eliminate the adjective "liar"

out of a concern for self-respect, I propose the following modification in the rules of the game:

We should include among the players several experts with different views (perhaps even economic researchers who have been deprived of their jobs) and, thus, we could submit a shockingly exact budget bill to parliament while, in addition, we would become familiar with the most important factor known from modern economics, namely, the functioning of economic expectations. Not even the experts of economic legislation and management who sit in the ivory tower would scoff at the help this would mean to them. So it goes!

### Details of YBL Bank Failure Described

92CH0825A Budapest TOZSDE KURIR in Hungarian  
9 Jul 92 pp 1, 15

[Article by E.R.: "YBL Bank Chronicle: A Salvageable Situation?"]

[Text] *During the course of one year, the chronicle of essentially spontaneous "modern-age" Hungarian privatization, which has been embellished with scandals, ended in a crisis situation—to use the term employed in financial law. (So far, four or five transactions that resulted in the private sector gaining an influential share in the banks that earlier were directly or indirectly owned by the state have been made public; among them, three elicited a major public outrage.) Financial experts agree that the cause of the series of events that swept through the banking sphere, whose effects are still incalculable today, and that even involved a foreign bank in its proprietary role, was the business attitude of the so-called Hepta group (which last year acquired interest in three financial institutions), which undermined the trust that is invaluable for brand-new private-bank owners.*

As of 24 June, the State Bank Superintendency (BAF) has assigned a BAF commissioner to three financial institutions (the AVB [expansion unknown], the YBL Bank, and the Gyomaendrod Entrepreneurs Savings Cooperative), which are also considered interconnected through their debtors and owners; at the same time, it levied 500,000-forint [Ft] fines against the directors of the two banks.

According to reasons given, the AVB's stock of accepted promissory notes had dramatically increased, the bank's executives had violated the regulations of the financial-institution law that deal with large-credit accommodation, and they had failed to take the expected measures to collect the receivables originating from the uncovered stock of promissory notes. The BAF claims that the YBL Bank regularly "transgressed" the procedural regulations of the financial-institution law that deal with large-credit and internal-credit accommodations (Paragraph 38, Clause 3.a.); in three months, its credit stock provided for a specified group saw a sixfold increase and, as a result, the balance between loans and deposits tipped, eliciting the danger of a lack of resources and of undermining solvency. In order to avert that condition, the

BAF put limits on the activity of two banks. It suspended, until 31 December, the YBL Bank's license to carry out active operations and to accept private deposits and the AVB's license to discount promissory notes. In connection with the savings cooperative, which is connected with the two banks through its debtors and owners, the commissioner was given the task of putting the bookkeeping in order because of the cooperative's earlier request for a license to become a bank. (The financial-institution law sets the minimum capital stock for a commercial bank at Ft1 billion!)

Indeed, the stack of problems, which for months was thought of almost as fact in closed professional circles, and which for a long time was referred to in the financial sphere as a general lack of trust in the "entrepreneur's YBL Bank," were exposed with the BAF's measure. And that seems to have made the prediction—which was widely voiced at the time when the group of entrepreneurs called the Hepta group came on the scene, buying up the bank's majority packet precisely a year ago—come true, namely, that the philosophy of the preference for small-entrepreneur loans is doomed to failure because it is incompatible with the security requirements for financial institutions.

The 51.7-percent stock packet (including the AVU's [State Property Agency] Ft300 million) of the YBL Bank, which had a Ft1.16-billion capital stock and which closed the year 1990 with a Ft495-million balance surplus, was purchased by Auto-Klinik and Gewinn, Inc., 40 and 94 percent of which, respectively, was foreign-owned at that time. Their owner-executives (Mrs. Zoltan Jamniczky, Imre O. Nagy, who is considered the chief owner in the group, and Istvan Szebelledi), combining three dozen ventures and conducting quasi-banking activity in their own territories, came on the scene representing a group with excellent liquidity. They say that the reason for their decision in favor of buying a bank was that their group, which is considered an investment holding company, which is active in many areas, and which is dynamically developing, needs a bank that can, through its experience in enterprise and its background in ownership interests, securely and profitably finance their own ventures as well. First they increased their resources with a regional savings cooperative, which was something simple. They also said that it was their intention to "spread" the YBL stocks among their stable ventures, which would be another way to increase their responsibility for the bank's dependable operation. (Perhaps their inexperience in "strictly" bank affairs is demonstrated by the fact that their representative, who announced the defeat of the transaction at the special general meeting at which the decision to raise the YBL Bank's capital stock was supposed to have been made, spoke consistently of base capital and promoted the idea of changing the company of many stockholders into an exclusive one.)

The YBL Bank became a deciding factor in the group's activity as bank-owner; the latter acquired a 19-percent share even in the AVB, the capital stock of which in the



meantime has increased to Ft2.22 billion. Mrs. Zoltan Jamniczky, who under the group's "colors" was elected director-general at the bank's general meeting in April, told our correspondent last week that the group of owners is represented among the stockholders by five associations: Auto-Klinik (16.9-percent share), Gewinn (9.5-percent share), Hepta-City (9.5-percent share), Artemis (9.5-percent share), Inc., and Carbontrans, Inc. (9.5-percent share). (It is to be noted that, in the financial-institution law, direct and indirect property of at least 10 percent is considered the decisive and significant share from the aspect of the regulations regarding owners.) Mrs. Jamniczky thinks that the assumption of over-financing the group of owners is false and is based on the fact that the group also includes YBL-debtors whom the BAF does not know about. However, Hepta-City, Artemis, Inc., and Carbontrans, Inc. (i.e., not Auto-Klinik, Inc., which has the largest share) were the only bank owners who were provided with loans totaling almost Ft1 billion, and the entrepreneurs, who can be connected with the owners, were provided with Ft2.3 billion less than was allotted by the BAF. On the other hand, it is a fact that it provided loans for shareholder enterprise in such a way that the money was not paid out to the contract partner. And it is also a fact that it provided 90- to 180-day loans financed with two-week interbank monies. (But to a lesser extent than assumed by the BAF.)

Hardly anything can be found in the registry court's documents about the financial resources of the three associations. The latest registry court document from March reveals that the base capital of Hepta-City, founded under the name of Eldorado City, is Ft1.2 million; the last entry in the Artemis document reveals a base capital of Ft1 million; and the Budapest Registry Court has only a mark "bt." [registered company] under the listing of Carbontrans. There were no balance reports in any of the company documents. (Mrs. Jamniczky said that Carbontrans has a base capital of Ft460 million and Hepta-City's base capital amounts to Ft29 million.)

Understandably, people were curious in the beginning about the identity of the foreign owner who presumably was behind the group of banking ventures. According to the registry court documents, a firm called MK Computing—headquartered in Stuttgart, Germany, founded with 50,000 German marks and represented by Imre O. Nagy, who is co-owner of Hepta-City, Gewinn, and Auto-Klinik—had (according to March data) a 42-percent, i.e., a 98.6-percent share (according to a June contract) in Hepta-City and Gewinn. According to the last, June 1990, entry, FA Komputervertrieb, also headquartered in Stuttgart and a founding member of Artemis, also had a 39.6-percent share in Auto-Klinik, Inc., and a 50-percent share in Artemis at that time. It is a fact—at least according to the documents mentioned—that while MK Computing became a shareholder with Ft47.5 million in cash and Ft1.9 million of property security (mainly motor vehicles), FA Komputervertrieb became a shareholder with a property security of 21 passenger cars.

It is also a part of the YBL and AVB ownership picture that the EMV Bank [First Bank of Private Entrepreneurs] sign was mounted on the facade of a new and elegant villa in Zuglo last year, next to the "Financial Institution" sign. (Presumably, that is the savings cooperative that wanted to become a bank.) This company, just as the tax counseling firm called Mas, also "headquartered" in Zuglo, is a member of the group of bank owners, and it is said that it is an active part of the money market (at least in its intentions), although its banking license has not yet been published. In addition to the above, this affair of many participants has other foreign aspects as well. For the Westdeutsche Landesbank (WLB), which also wanted to buy the 23.6 percent that was still owned by the AVU at that time, last year bought a 34.9-percent share in the AVB. (However, the WLB was absent from the AVB's regular annual general meeting and it was an AVU official who voted with the 23.6-percent packet.)

Regarding the parties involved and the number of billions that was made public (according to bank information), the affair is much more extensive. Two regional offices of one of the major banks also became involved through connections of promissory notes amounting to billions of forints; the director of one of them was arrested with the charge of illegally signing a promissory note guarantee. Obviously, as the number of events grows, the number of consequences will also grow....

We can still only guess not only the extent of the lack of customer trust but also the kinds of resources the "Hepta circle," which is (according to press information) in a liquidity crisis, will be able to rally for salvaging the YBL Bank. According to Mrs. Zoltan Jamniczky's statement last week, it appeared that the YBL Bank's capital stock could be increased to Ft2 billion through the involvement of new investors who do not belong to the circle of owners. However, the viability of this plan seems to be uncertain considering the present situation.

The experts say—and this is one of the affair's lessons—that the interconnection of the circle of debtors presents incalculable risks, and this demonstrates the flaws in the statutes that regulate the operation of financial institutions. As a result of the statutes on accounting, the consolidation of debtors is not a requirement, which means that the risks of various loans emerge separately at the banks and, thus, they cannot be required to submit "joint" assessments. It is another lesson that the provisions of the financial-institution statutes regarding bank confidentiality hinders interbank communication, and the still-undeveloped banking infrastructure hinders intrabank communication, and all this may make the banks defenseless against affairs that can involve billions.

At the beginning of this week, Mrs. Jamniczky was optimistic about the future, despite the rapidly spreading rumors. She said that they had succeeded in making an agreement in connection with the group's outstanding promissory notes of about Ft4 billion by providing

collateral that was acceptable to the AVB. Now everyone can relax. Mrs. Jamniczky also voiced her conviction that salvaging the YBL Bank would be in the interest of the entire banking system, which is no doubt related to the fact that the Hepta group's resources are probably depleted. According to press information at last week's end, scared customers withdrew deposits amounting to billions within days, but Mrs. Zoltan Jamniczky said that

this wave of withdrawal did not continue at the beginning of this week. (The period for withdrawal notice is 30 days anyway.)

By last Friday, the bank, with its Ft1.4-1.5 billion of guarantee capital, had not announced insolvency. However, there are some in the banking circles who are talking about an unavoidable real-estate-bank analogy.



### Parallel Structure in Solidarity Described

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in Polish No 28, 12 Jul 92 pp 1, 9

[Article by Ryszarda Socha: "Lech's Army"]

[Text] They are still together. During the last meeting of the so-called Siec [Network], or the NSZZ Solidarity Plant Commission Agreement, organized in Poznan on the eve of the second round of the union congress, while a split did not occur, the possibility was predicted more than once and here and there fears were expressed, as well as hopes. According to tradition, the next deliberations of the Siec will be held immediately following the summer vacation. Thus, if nothing extraordinary happens, there is no threat of a split in Solidarity before September. But the tendencies toward the split are being manifested more and more clearly. And the way things have gone during both rounds of the congress undoubtedly has deepened the existing disaccord.

The Solidarity Siec—the *poziomka* [*poziomka* is a wild strawberry; in this context, derived from its similarity to the word *poziomo*, meaning horizontal, thereby emphasizing the horizontally linear as opposed to the vertically hierarchical structure of Solidarity]—which is officially called a parallel structure so as to prevent such hierarchical associations, is very critical of the actions of union leaders. The leaders of the Siec do not indulge in verbal subtleties; rather, they do the opposite.

Says Jerzy Borowczak: "During the period of political struggle, Solidarity set up its regional boards in opposition to the PZPR [Polish United Workers Party] voivodship committees. Today there is no longer any opposition, and our voivodship committees continue to function, as does the central committee. Solidarity Chairman Krzaklewski, instead of being solicitous of us, comes and talks nonsense. I understand that the chairman of the union deserves respect, but that does not mean that we are subject to him and that we ought to kiss his hand."

Jerzy Borowczak, the 30-something chief of the Solidarity plant commission at the Gdansk shipyard, one of those who in August 1980 initiated a strike in defense of Anna Walentynowicz, now belongs to a strict network vanguard. This vanguard is made up of the chairmen of the Solidarity plant commissions from five plants: the Gdansk shipyard, the Poznan brick factory, the Sendzimir works, the Wujek mine, and the Warsaw works. The Siec is composed of the biggest of the big. For years they were considered the salt of the earth, and now they face the unknown.

Union activity does not stir up enterprises that are managed efficiently. The Gdansk networkers point to the local refinery with some envy. The position of a monopolist ensures prosperity. The refinery has so much money that it does not really know what to spend it on. It purchased competitors' slag so that the competitors would advertise its products. And it purchased so much

housing that apparently not all of it can be used. And in the cradle of Solidarity, as many as 1,500 persons are waiting for housing.

"We are united in a struggle to keep our jobs, and among the union officials people from budgetary units predominate." That is how Kazimierz Jelenski from the Gdansk shipyard plant commission describes one of the reasons for the conflict. He adds: "In union activity, the problems of industrial plants are thrust into the background. One forgets that we must work to have something to share. When the production units started to fall, budget income automatically declined. In the West, the unions protect the jobs and the earnings of their members. In Poland, however, the assault units have not yet left the field and the quartermaster's service has not yet entered it."

Some people maintain that the Siec was born exclusively of dissatisfaction with the operation of formal union structures. Others suggest that the intention of Lech Walesa who, in preparing to take over the highest state post, desired to preserve his influence and support in the union.

The Siec is like a phantom: Its adherents seek their own kind. A constant flow of new people take part in the regular monthly meetings, bringing new ideas. Borowczak maintains that such a heterogeneous group is hard to lead. Apparently, that is why Bogdan Borusewicz, known as "Borsuk" by his colleagues, did not like the Siec.

However, one should not trust excessively the conclusions of Jerzy Borowczak, who maintains that even the president could not manipulate such a fluid and informal structure. The leaders of the five above-named main plant commissions—which lead the national agreement—are preparing draft resolutions based on decisions of the Siec congresses. They are also conducting the deliberations very efficiently, so efficiently that proposals prepared in advance are brought to a vote with almost no revisions. But one may say that this is a simple expression of a commonality of views, interests, and aspirations.

One way or the other the Siec is presidential, at least in its main characteristics. For during the last congress at the Cegielski Works, there were a few voices which broke away from the chorus. But the words "We Are Lech's Army," which Marian Krzaklewski claims to have heard from activists during the April manifestation in Warsaw, to name one place, undoubtedly may be applied to three-fourths of the participants. The head of the union central headquarters makes no special effort to conceal the fact that the chairman of the plant commission in the "cradle" [Gdansk shipyards] has better contact with the president than he, the leader of the entire union, does.

Borowczak says: "In my following, 90 percent favor the president and 10 percent are opposed to him."

The proportions in the meeting hall during the Fourth Solidarity Congress in Gdansk were completely different. Wladyslaw Kielian, chairman of the Sendzimir Works plant commission, reported the course of events to networkers in this way: "I belonged to a group that did not have the courage to oppose those who criticized the president. We were a small group, while that group was larger. But if we cannot trust the president, then whom should we trust? I do not believe that the last person in whom we have confidence should be destroyed."

Solidarity leaders from the largest plants have reported on cases of 12-year-long union members who have surrendered their membership cards with the argument that they do not want to be in the sort of union that was manifested at the Fourth Congress. Similarly, at the Gdansk shipyard, the politicizing stance of delegates created such a stir that on Saturday some of the shipyard workers had to be dissuaded from their desire to close the gates against participants in the deliberations.

Thus, the Siec regarded the attack on the president and cheers for the former premier negatively. A pertinent resolution spoke of the disconcerting picture transmitted to all of Poland of the complete lack of manners and of the spectacular moves of certain political parties that attempted to compensate themselves for their defeat in the Sejm forum at the congress. The networkers concluded their memorial to the delegates by calling for restraint.

"All of the agencies of authority and the political parties are the stimulators of processes of dissent," comments Marian Krzaklewski. "The struggle over a base and attempts to uproot it are particularly evident in the political regroupings. And it is probably not a question of gaining these people for long-term membership, but for immediate, temporary membership."

True, in some press publications, Solidarity is already classified among the adherents of Olszewski; however, this does not seem to be the basic opinion, and not only because of the pro-presidential sympathies of the Siec, which is still a part of union structures. Many participants in the congress at the Gdansk shipyard, remembering after the fact the applause for the former premier, do not exactly know how to explain what happened to them at the time, why they reacted the way they did and not in another way. Someone put it bluntly: "We got all screwed up in the head." And it is also difficult to discern whether what happened at the congress was representative of what is happening throughout the union.

If it was only the attitude to the major figures on the political scene that differentiated the Siec from Solidarity, then the danger of a split would be moderate. But various personnel structures and animosities come into play. Sometimes the heads of regional boards in the plant commissions of large enterprises see a threat to their authority. For what will happen if they call a strike and from the other side they hear a firm veto, or vice versa?

And then, more than one leader of a numerically strong and active Solidarity plant agenda has a sense of power but lacks the inner attributes of this sense of power. The regional authorities have the positions and incomes exceeding the incomes of plant leaders. They issue them various orders and they are like generals without an army. This type of metaphor is characteristic of the statements of union activists.

The Gdansk shipyard was not enamoured of Bogdan Boruszewicz, and now it does not sympathize with the new chairman Jan Halas. A similar structure exists in Poznan between Marek Lenartowski, the head of Solidarity at the Cegielski plant and Janusz Palubicki, who directs the Wielkopolska Region. But Maciej Jankowski, chairman of the Mazowsze region and rival of Marian Krzaklewski in the election for union chairman, is regarded differently. The networkers supported him with their votes.

A specific situation exists in Wroclaw. The chair of regional board chairman became a bone of contention and a major cause of conflict. Tomasz Wojcik won the position by a majority of one vote and the supporters of his competitor Zbigniew Sliwinski brought up Wojcik's network structure activism. It is these supporters who are the most articulate supporters of seceding at network meetings. On the surface the whole matter clearly and elegantly translates into program differences. Meanwhile, among union members the story is going around that the two opposing parties seriously resist making a trip anywhere in one vehicle.

Aside from the political involvements and the conflicting histories because of personality differences, the isolation of the network is also caused by the self-governmental option, the influence of the supporters of employee ownership, and other solutions of this type that were not supported in the main program current of Solidarity. At present, this entire array of conflicting interests of the network and the networkers is beginning to be expressed in terms of a quarrel over membership dues and the status of plant committees.

Despite network protests, during the second Lodz round of the congress of delegates a decision came down to raise the dues directed by plant commissions to the central headquarters and to the regions from 25 percent to 35 percent. The commissions, which are not in agreement, are in danger of being excluded from the union and of losing property.

"It is said that this money is needed for training, but essentially it is squandered by the union bureaucracy," say the networkers in outrage. They point out that, for example, in the Gdansk region last year wages absorbed more than 53 percent of the total revenues. The chairman of the regional board receives a salary that is 2.4 times the national average.

Someone adds that this is provocation. The boys from the law-and-order forces that served the congress

received 1.8 million zlotys [Z] each for four days of work, while their normal monthly salary is less than Z2.4 million.

Krzaklewski argues that in the West the proportions of the distribution of dues are completely the opposite. How can one speak of centralization if 65 percent of the funds remains in the plant? The chairman is trying to minimize the danger of a split. The network comprises approximately 200 plant committees, and there are more than 10,000 such committees in the entire union. He ignores the circumstance that the strongest of these are found at the network level.

Meanwhile, the networkers are checking the statute. If they stop sending in dues, the regions can remove them from the registry after six months. They are happy that until now the voivodship structures have been dying for lack of money.

"We do not want to leave," declares Borowczak. "We want to serve the union with the council, to be its conscience."

But when asked a little later how large a group the network may carry along with itself in the event of a secession, he says without much vacillation that it may be two-thirds of the whole. In the Mazowsze region 700 plant committees are no longer paying in their contributions. In the Gdansk region the figure is about 300 committees, including, since June, the Gdansk shipyard. The railroad workers are financing only branch sections.

Tensions are growing more and more. The moods of frustration among the activists of all Solidarity structures aggravate tensions. The activists say that they feel that they have been kicked out by their work colleagues, their acquaintances and their family members. "The people blame Solidarity for what is wrong," complains Jan Trzaska, one of the rank and file activists of the network. "I know that often the charges are not valid but I cannot disprove them."

As a result, every person tries in his own way to find out who is to blame for the fact that reality departs from dreams. Some people look on the outside while others look in their own ranks. At the Gdansk shipyard, for the first round of the congress, a vote was taken among the plant committee to poll opinions on the question of departure from the union. "No" votes predominated significantly during the ballot. There is still no split. But how long will that last?

### Politicians View Prospects of Early Elections

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10 Jul 92 p 3

[Article by Malgorzata Subotic: "The Parliamentary Mirror: What the Elections May Change"]

[Text] Any government emerging from this Sejm would be a tangle of compromises. There is no alignment that

would be both a majority one and a comfortable one to coalition partners. Only the degree of that discomfort could vary, according to Jacek Merkel (KLD [Liberal-Democratic Congress]). Most Polish politicians are starting to incline toward this opinion. But although the appraisals are similar, the recipes for resolving this situation differ.

New early elections, a "Solidarity reconciliation" in the form of a grand coalition, or the Sejm's consent to a system under which the president would take "government" decisions and be responsible for them—such are the three most often mentioned alternatives to the question of what is going to happen in a month or a year.

### Diagnosis and Prescription

The simplest diagnosis would be to acknowledge that the previous elections are to blame for everything owing to a bad electoral law and low voter turnout. The prescription too seems simple: new early elections, but under a new electoral law restricting the access of small parties with little social support to the parliament, on the tacit assumption that in these last few months the public has matured and is ashamed of not having participated on a large scale in the previous elections.

Another interpretation would be to blame the political elites, chiefly those of Solidarity origin, on the grounds that immature politicians failed to unite and overcome partisan prejudices. The only chance is to bury the hatchet of the "war at the top" along with the attendant differences and animosities, that is, to form a broad government coalition of Solidarity groupings. This would mean to some extent a return to "the roots and the cradle" [the original Solidarity of the 1980's].

There also is another assessment of the situation, namely, that Poles are deeply divided and the Parliament mirrors these divisions. It is precisely in the Parliament, as in a lens, that the deep social divisions are focused. A society is reflected in its parliament. Except that the so-called man in the street does not perceive such a linkage, and that is a political fact which cannot be glossed over.

### The Return to the Cradle

The most enthusiastic supporter of the idea of the grand coalition, that is, of recreating the Solidarity camp as it had existed before the presidential elections, is Aleksander Hall of the rightist faction of the Democratic Union [UD]. For the sake of the supreme *raison d'etat*, that is, of a stable statehood and the preservation of democratic institutions, politicians who are linked by a common struggle against communism must forget their mutual animosities. This is certainly the last chance of this parliament to form a government.

Jan Rulewski of Solidarity, the principal initiator and mediator of the talks to form Hanna Suchocka's coalition government, is trying to translate this idea into

reality and bring about a consensus among the eight principal parties deriving from the "Solidarity root."

Certain politicians of seven parties are distancing themselves from the post-Solidarity, that is, ideological nature of such a coalition, which they do not view as its principal advantage. "This concept may turn out to be hardly practical," Jacek Mercel contends. The very number of the coalition partners means that an agreement has to be reached before any decision can be taken. Thus this would not be a dynamic cabinet, capable of fundamental state reforms. And of a certainty its life would be reckoned not in years but in months. The question of the Sejm majority of a thus designed cabinet is also uncertain. A majority, if an uncertain one, would be provided by the votes of Solidarity deputies. Their support, evident when forming Hanna Suchocka's government, would, however, be problematic later. Which side are Solidarity deputies, in their capacity as trade union deputies, to support when unpopular but necessary decisions are to be taken—that of the government or of Solidarity members?

Still, an alliance of Solidarity groupings would not necessarily "mix fire with ice," because their views on the economy, at least, are similar. That is something hardly anyone doubts.

#### Have We Matured for New Elections?

Supporters of early elections—and their number is growing—argue that the present parliament "has already exhausted its arsenal of political means," that it is incapable of bringing about a stable government and taking institutional decisions. The political fragmentation nowadays is even greater than it was during the October 1991 elections. The existing political alignments are further disintegrating.

Those who support ordering new elections believe in the main that this would facilitate a consensus among parliamentary groupings. Under an amended electoral law that would increase to five percent the minimum number of votes needed for any party to be seated in Parliament, the "barren coalition talks" would come to an end. In the opinion of Krzysztof Krol of the KPN [Confederation for an Independent Poland], two or three parties would suffice to form a majority government. The opinions of politicians and the findings of public opinion polls are similar. Were elections to be held today on the basis of an amended electoral law, only six or eight parties would be seated in the parliament. In principle, the Little Coalition (the UD, the KLD, and the PPG [Polish Economic Program]) and the Alliance of the Democratic Left, that is groupings with a fairly stable electorate, as well as the PSL [Polish Peasant Party] and the KPN, are certain of passing through such an electoral strait gate. It is certain that Waldemar Pawlak's Party [the PSL] would then be the sole peasant party to be represented in Parliament, while the other peasant groupings would have to enter into coalitions if they desired also to enter Parliament.

The KPN is counting on a significant electoral success. Also supporting early elections are Jan Olszewski's Movement for the Republic, the Union for Real Politics, and Jan Parys's party. The latter are also, if not chiefly, in favor of new presidential elections. This also goes for farmers' "Self-Defense" and Kornel Morawiecki's "Fighting Solidarity" groupings.

Are the appetites of the supporters of new elections warranted? Most politicians, excluding, of course, those directly interested, consider this to be an "unwarranted optimism." The potential KPN electorate—the discontented ones—will shift its favor to other radical groupings. At the same time, fears of their growth are exaggerated. How many supporters can they recruit? Three or four hundred thousand.

At the same time, no single grouping will gain the "controlling share," that is, one-half of the mandates. Even Krzysztof Krol agrees, estimating that his party, the KPN, will not win a majority of the mandates, because no party can accomplish this during the next two terms of office of the Sejm. However, unlike most politicians, KPN leaders believe that fears of a low voter turnout are exaggerated. Krol refers to public opinion surveys which indicate that more than 60 percent of Poles declared their readiness to participate in the next elections, which is an obvious untruth. This means that those who "did not participate in the previous elections are ashamed of their conduct." And, in Deputy Krol's opinion, in the last nine months the public "has matured and will not take irrational voting decisions."

#### The Parliamentary Lens

Regardless of the future voter turnout, early elections will not change anything, according to most politicians, both those of the "Little Coalition" and those of the PC [Center Accord], the ZChN [Christian-National Union], and the Alliance of the Democratic Left. "Everyone will lose, and seats in the new parliament would be taken fortuitously—local events and authorities may change the political alignment," according to a prophesy by the PC's Marcin Przybylowicz. Reaching a consensus among a smaller number of parties will prove just as difficult as it is now, because they will be the same parties, engaging in the same incessant disputes.

Poles are fundamentally divided politically. To some the economy is the most important issue, while to others it is the antiabortion law. This is reflected in the parliament, since it is a—more or less crooked—mirror of these differences.

Thus the views of the public are focused in the Sejm as in a lens. This diagnosis was provided by Jacek Merkel: "The parliament did not come from nowhere. The Holy Virgin did not drop these people from the sky." But the man in the street does not perceive this relationship, and that is a political fact which cannot be ignored. He thus believes that very little time is left to form a government.



"Since radical changes in the opinions of Poles are not likely to occur in the next few years, perhaps the best solution is to believe that the Sejm is the legislative branch and the president the executive," Jacek Merkel proposes. He cautions that this will require constitutional amendments along with the consent of two-thirds of the parliament to a system in which the president decides on the premier and the composition of the cabinet—and is responsible for them. "A solution under which Lech Walesa would take the decisions but somebody else be responsible for them is unacceptable."

Merkel is aware that his opinion is not, for the time being, shared by a majority of the parliament. But he says that there is a limit beyond which this intolerable situation cannot continue—the lack of a stable government. Perhaps this will finally force the politicians to accept that solution, regardless of whether by then it still will be the same parliament or a new one.

#### What Says the President?

Well, exactly. Lech Walesa's response remains unclear. One thing is certain: the President is acting very cautiously and is not eager to take on responsibility. Representatives of even groupings friendly to Walesa claim that Walesa is certainly opposed to even the passage of the so-called small constitution, which would define precisely the scope of his powers and hence also of his responsibility. An "indefinite" situation suits him better.

Wojciech Włodarczyk, the former head of the Office of the Council of Ministers during the Olszewski Administration, believes that compromising the parliament "suits" Lech Walesa as then he would become the final Polish authority, which would place him in an extremely strong position. The President's attitude toward the mission of Premier Waldemar Pawlak is hard to understand. Perhaps those who contend that Walesa prefers a weak rather than strong Pawlak government are right. Jacek Merkel, while noting that he had not personally participated in the talks to form the government, points out, "I would not award the president a laurel wreath—he is a man who patches things together in a slapdash manner."

Recent comments by Lech Walesa himself indicate that he is opposed to the dissolution of the parliament and early elections, because "things will get still worse." Still, he is beginning to consider this possibility. He also believes that the Solidarity camp got "shortness of breath." Solidarity supporters made a lot of mistakes, because they alone held the helm of rule. Explaining his reasons for designating Pawlak as the premier, he said that this was to be a move toward normalcy, premature as it might be, as otherwise "Solidarity again would lead the government," and little can be accomplished if the peasant parties and the parliamentary leftbenchers are not included in the governing coalition. The President no longer believes firmly in the efficacy of harking back

to the Solidarity "root and cradle" [the original Solidarity of 1980]. The division into "us" and "them" is beginning to impede the reforms.

Some form of presidential rule would certainly be most acceptable to the president, but it is not clear what form. It is not known either whether Lech Walesa will decide to accept direct responsibility or act as his critics are proclaiming, that is, try to take decisions while avoiding responsibility.

Then the scenario proposed by "Self-Defense," Jan Parys's party, and, to a large extent, Jan Olszewski's grouping would become likely: complete replacement of the power elite, either through elections at all levels (local government, parliamentary, presidential), or in a much less democratic manner.

#### Photo Caption

1. p. 3: Perhaps the optimal solution would be a system with the Sejm as the legislative branch and the president as the executive, as Jacek Merkel is proposing

#### Polarization of Center-Right, Social Democrats

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17 Jul 92 p 3

[Article by Lech Mazewski, Sejm deputy and member of the Liberal-Democratic Congress: "The Post-Solidarity Political Scene"]

[Text] It had seemed that the camp that defeated communism would govern Poland for a long time. By now we know that this shall not be so. The rise of Waldemar Pawlak as the first non-Solidarity prime minister, and the establishment of the Union of Labor, a party uniting the leftists of Solidarity origin with the postcommunist Left, signify the ending of the period of domination of the Solidarity alignment. At the same time it must be stated that major shifts heralding a new shape of the political scene in Poland also are taking place among the political forces deriving from Solidarity.

In the 1980's Solidarity had gained nearly universal support, because it represented the interests of all the worker groups exploited by the state monopoly. The initially cohesive and legible picture of Solidarity as both a political force and a trade union became muddled by the emergence of divisions into groups with undefined identifying marks. That is because, at first, all the parties deriving from Solidarity had declared their support for the reforms and for protecting the neediest, whereas now their interests have become much more differentiated but the Polish political map as yet does not mirror this.

The breakup of the civil movement was to set in with the object of polarizing the political scene into two large camps. A major shortcoming of this concept was that its author, Jaroslaw Kaczynski, confined his outlook to the Solidarity scene (which was to comprise the entire political spectrum). Yet it turned out that in the first round of



the presidential elections one-third of the voters cast their ballots for candidates outside the Solidarity camp (Stanislaw Tyminski [Party X] and Wlodzimierz Cimoszewicz). As a result, the disintegration of the civil movement led not to an American-style two-party model but to a system of numerous fragmented parties.

Despite the large number of political groupings the channels of the articulation of group interests remain too constricted, which is leading to popular apathy without discharging the potential of social frustration. The social structure is generating both interests linked to reforming the country, and interests that are threatened by the reform. The former emerge less frequently and the latter more. Which political formations represent (or might represent) discrete interests?

### Who Shall Form the Center-Right?

From the very beginning there have been existing several centers, and politicians symbolizing them, aspiring to establish a strong center-right formation in Poland. On the one hand there are the PC [Center Accord] and Jaroslaw Kaczynski and on the other, the conservative-liberal factions of the UD [Democratic Union], the KLD [Liberal-Democratic Congress], and the PChD [Party of Christian Democrats].

A great opportunity to establish a major center-right formation would arise for the UD-KLD-PPG [Polish Economic Program] alignment were it to succeed in forming, together with the PSL [Polish Peasant Party], a government headed by Waldemar Pawlak. Such a coalition would not only be based on a synthesis of a liberal economic program, Europeaness, stronger executive power, and representation of various kinds of proprietors, but also supported by the rural electorate.

It is high time for us to revise our views on the PSL's role in building democratic capitalism. The economic program of that party is certainly accommodated within the logic of a market economy, to be sure despite some caveats. This is all the more essential considering that the PSL is the largest peasant party in this country, in which peasants account—and will still for a long time account—for a significant proportion of voters.

Rejecting the possibility of forming an UD-KLD-PPG government together with the PSL would the principal factor in preventing this "Little Coalition" from becoming the axis of the Polish center-right. Another reason is even more serious: the Little Coalition is, culturally viewed, mostly a socio-liberal formation. Hence it is incapable of reaching a compromise with the Catholic Church and the traditional moral values (among other things, by not advocating the right to abortion, aside from exceptional situations), a compromise that would be a distinctive way of promoting liberalism in Polish conditions.

The UD-KLD-PPG coalition will not be a center-right one. Instead, of a certainty, there will arise a socioliberal formation in which the liberals from the KLD will serve

as a guarantee of a promarket orientation of the socioliberal majority in the UD. This will be a kind of progressive Thatcherism, an important political phenomenon as regards the big cities but lacking any significance in the political landscape of the provinces.

And here a huge peril to Poland may arise. Namely, the socioliberals, feeling convinced of their civilizational superiority to the remaining political spectrum but at the same time lacking any chance for becoming a parliamentary majority, may turn in the direction of a procapitalist dictatorship. Even now, after all, Janusz Lewandowski is claiming that democratic institutions should be suspended on the grounds that supposedly we would thus have greater opportunities for the success of the market reforms. I fear that the sole effect of such ideas, if translated into reality, would be that we would have in Poland neither a market nor democracy. This is because a strong political leadership that would be moreover unequivocally procapitalist can be established only within the framework of a democratic order. This is proved by both the case of Margaret Thatcher and by that of Ronald Reagan or Helmut Kohl.

### Decommunization or Deproletarianization?

The failure of the UD-KLD-PPG alignment to establish a center-right formation does not at all mean the failure of this idea itself. After all, there still remain the PC and the conservative-liberal options of the UD, the KLD, and the PChD. The leaders of these parties should not either forget Pawlak, because without the PSL any eventual center-right formation would be an urban one, which means the danger of a new Vendee [the peasant uprising in the name of the monarchy and religion during 1793-96, suppressed by the French revolutionaries]. Urban politicians will not win with the support of rural "Self-Defense" unless they also are supported by the peasant activists aspiring to modernize the countryside in the capitalist spirit so as to make farmers of peasants.

Were the PC to become the axis of the center-right formation, Jaroslaw Kaczynski would have to finally abandon decommunization for the sake of deproletarianization. Poland is a country whose economy functions on the basis of state giants and monopolies and a centralized structure for the management of public affairs. Wilhelm Ropke, one of the ideological fathers of German ordoliberalism, would term as "proletarianization" such a morbid condition of the state and the society. Ropke's positive idea of deproletarianization reduces to three elements: turning blue- and white-collar workers into proprietors, deliberately controlling the scale of output and the size of manufacturing entities, and restoring a human face to the organization of community life by decentralizing the state.

The idea of deproletarianization may also play a major role in Polish conditions. Of a certainty, unless local and regional communities are rebuilt, society in this country cannot be revitalized. This decentralization of society

must be accompanied by decentralization of ownership. The dismantling of the socialist giants and monopolies must be correlated with positive incentives for small and medium businesses.

Thinking in categories of deproletarianization could also protect us against the huge disappointment that is going to arise as a result of the mass privatization program [PPP]. That is because this program is not going to create a middle class but will merely create a stratum of destitute pensioners satisfied with small opportunities for equally small dividends. An alternative here would be to utilize the idea of a privatization based on the mechanism of investment credit.

### The Rise of the Social-Democratic Alternative

The failure of the UD-KLD-PPG coalition to form a broad center-right formation and the emergence, instead, of the social-liberals, along with the consolidation of the PSL as the leading peasant party do not exhaust the changes that have taken place on our political scene. On the leftist side of the political spectrum, the division between the Solidarity Left and the post-communist Left has been overcome through the establishment of the Union of Labor.

Previously there used to be no social democrats in Poland, because Labor Solidarity did not count as a political force while the SdRP [Social Democracy of the Republic of Poland] is not a real social-democratic party. A disturbing consequence of this fact is that a segment of the society is unable to influence national policies within the framework of democratic procedures. Blue-collar workers with their relatively recent experience at protecting their interests outside the political system can hark back to that experience, but this would fundamentally weaken democratic political mechanisms and might even block the processes of reforming the social order, thus necessitating authoritarian solutions.

It is, of course, difficult to tell whether the Union of Labor will be politically successful. Should it be, then Jacek Kuron's mistake would be repaired—he claimed that it is worth being a social democrat once the mechanism of economic growth is in place. After all, it is not true that the role of social democracy is confined to the distribution of national income. It is also a political representation of the less well-off social groups or strata, which had been combatting the communists on this ground. The KPN [Confederation for an Independent Poland], the OPZZ [National Trade Union Alliance, a post-communist organization], and Solidarity of 1980 are trying to perform this role, mostly in a purely instrumental manner. Of a certainty, it would be better if this electorate were to swing to the Union of Labor.

A major element of the new political scene is not only its broadening to include social democracy or Waldemar Pawlak's unsuccessful attempt to form a government but also the striving to broaden the political class so as to include representatives of regional forces.

There is growing belief that Polish reforms will not succeed if they continue to be pursued by the existing political forces, which operate in centralist structures. The momentum must be supplied by regional forces. It is they that will reform Poland, but in order for this to happen, these forces must first organize themselves. Here a positive precedent could be the situation in Wielkopolska, where work on something that could be called a regional experiment is greatly advanced. Representatives of the general government administration, local governments, chambers of commerce and industry, and the business communities, as well as of the political parties and perhaps also of Solidarity, would be participating in such projects.

### New Options

A fundamental feature of the post-Solidarity political alignment is not only the collapse of the existing ruling camp but also the emergence of new political forces claiming to represent real social interests. It is good that a socio-liberal grouping is forming, although I personally regret that it will include a large segment of the KLD. Likewise, the rise of the Union of Labor as a harbinger of European social democracy is to be welcomed. But still the formation of a party of the moderate right remains the greatest problem.

The UD-KLD-PPG coalition has forfeited the opportunity of becoming a center-right formation. Will the PC be the seed of such a grouping? That depends on whether Jaroslaw Kaczynski will abandon decommunization in favor of deproletarianization, and also on whether he can get along with Waldemar Pawlak. If he fails, the initiative should be seized by representatives of the liberal-conservative factions within the UD, the KLD, and the PChD, in cooperation with regional movements. But this time, without Pawlak, that would be a typically urban grouping.

The emergence of the post-Solidarity political scene will also force President Lech Walesa to reorient his activities. Under the threat of the establishment of a dictatorship, which would make him personally a marginal figure, the president will be forced to take a stand in favor of some one of the nascent political camps. That is because he will be able to preserve his standing only by sharing power and responsibility with the leaders of that camp. This means, according to Piotr Pacewicz in *GAZETA WYBORCZA*, that "The president will now play the role of a buffer for democracy. He will be a buffer not by choice but by agreement, but that is of no importance to the vehicle" (i.e., to Polish reforms).

### Reasons for Privatization Slow-Down Delineated

92EP0597A Warsaw *ZYCIE GOSPODARCZE*  
in Polish No 30, 26 Jul 92 p 10

[Interview with Jacek Bukowski, director of the Department of Privatization for Small and Medium-Sized

Enterprises at the Ministry of Privatization, by Zbigniew Grzegorzewski; place and date not given: "Waiting for a Miracle"]

[Text] [ZYCIE GOSPODARCZE] The pace of privatization through liquidation has slowed down very much; this has been the case particularly in the last three to four months. Why did this happen?

[Bukowski] Indeed, retrogression is pronounced. This is happening because the four players who take part in privatization are much less interested in it. These players are as follows: common people, the enterprise elite (directors, employee councils, trade union leaders), functionaries of state administration from the voivodship level on up to sectoral ministries, and domestic and foreign investors. Each player received information which prompts him to wait. Common people got information from President Lech Walesa that all of us will get \$10,000 each in the form of credit or vouchers, generally intended for privatization. Many employees interpreted the president's message to mean that they will be given funds to buy out the enterprises in which they work. In anticipation of this gift, they suspended their consent to ownership transformations.

Self-government bodies, trade unions, and the management of enterprises should reckon with this attitude. The promise of Prime Minister Olszewski, who announced the reduction of enterprise debts, appealed to these elites directly. Hence the management of enterprises is blocking privatization projects in the belief that the government will take care of the financial standing of state enterprises. I believe that it will be worthwhile to undertake privatization only after debt reduction. Since I know the draft law, I know that I will be disappointed. We should always reckon with reactions which are caused by vague promises to write off the debt.

There is justification, as well, for the behavior of yet another player. The Presidium of the Sejm requested that the NIK [Supreme Chamber of Control] administer a comprehensive audit of privatization. The NIK sent a letter to all parent agencies in which it demanded very detailed data. This was accompanied by an accusatory atmosphere in the Sejm and in a segment of the press to the effect that privatization has become an unhealthy process. Therefore, officials refrained from privatization activities, preferring to not expose themselves to still more charges of supporting unhealthy processes.

Investors have also received unfavorable signals. The government stopped encouraging them to take part in privatization, criticizing the endeavors of its predecessors. This could indicate that a substantial reconsideration of the avenues of privatization would occur, or even the cancellation of the contracts signed, which is certainly not true.

[ZYCIE GOSPODARCZE] You have outlined a diagnosis. What is the scope of this phenomenon?

[Bukowski] Ever fewer privatization projects began to be submitted. They began to withdraw from parent agencies projects which had been submitted earlier. In turn, these agencies, which number more than 70, are in no hurry to display initiative. We receive no more than one-third of the requests which we got last year every month.

[ZYCIE GOSPODARCZE] How is resistance, which has developed at enterprises for many reasons, to be overcome?

[Bukowski] Minister Gruszecki recently sent a letter to the parent agencies, calling for greater involvement.

[ZYCIE GOSPODARCZE] Compared to signals which enterprises have received, this is, perhaps, a very weak signal.

[Bukowski] I believe that only a privatization policy outlined by the new government may disrupt this wait-and-see situation. Our ministry is ready to assist in or carry out privatization through liquidation on a very large scale.

[ZYCIE GOSPODARCZE] Is stronger economic motivation needed? I am thinking about easier conditions for leases of production assets, about leasing. Enterprises are certainly expecting this, because such hopes have been raised.

[Bukowski] Minister J. Drygalski submitted our proposals to the Ministry of Finance, and we expect an inter-agency group to finally be formed which will prepare amendments to an executive order of the minister of finance. A lack of parliamentary stability and of an unambiguous government policy hampers final coordination.

[ZYCIE GOSPODARCZE] Do you recommend that enterprises... wait for these changes?

[Bukowski] Well, not quite. I trust that these corrections will be made, but there is no reason to wait because time is also needed in order to prepare enterprises for privatization.

[ZYCIE GOSPODARCZE] This sounds somewhat cryptic. Meanwhile, privatization by liquidation is going nowhere.

[Bukowski] As I understand, this observation is addressed to the members of parliament and trendsetters in public opinion.

[ZYCIE GOSPODARCZE] It is addressed to the Ministry of Finance, but also to the Ministry of Privatization.

[Bukowski] No. I will note that in the absence of a privatization policy set by the government, we do not know what the future of the Ministry of Privatization is going to be (theoretically, it remains in liquidation). If so, it is hard to demand that the Ministry of Finance, the Ministry of Privatization, or the Ministries of Industry

and Commerce prepare legislative changes which are necessary for privatization. After all, let us recall that amendments in guidelines for leasing will reduce projected revenues from privatization which are built into the budget law. I would also ask to note a contradiction which the Sejm and the government should resolve: Do we expect rapid privatization or considerable revenues from privatization? The two cannot be combined very well.

[ZYCIE GOSPODARCZE] A play of interests is underway, and it must be underway. Unhealthy phenomena in the process of privatization cannot but come up in the absence of decisions. Enterprises also come up with such "initiatives."

[Bukowski] Activities by enterprise organs are unhealthy when they aim at contributing only the healthy part of assets to private companies, whereas what remains state-owned is doomed to die and go bankrupt. After all, it is not only assets, that is, land, structures, machines, and other components of assets, but also obligations which, in this case, may be collected only from the bad segment of the assets. These are actions unfavorable for creditors, including the state treasury, but also for enterprises, which will lose an opportunity to recover receivables. This array of interests should be seen when accusations of blocking some privatization initiatives are leveled against the Ministry of Privatization. For example, so-called joint enterprises, even if very profitable for partners, are particularly unhealthy because they involve a transfer of assets which omits obligations. The latter remain with an enterprise that will not pay them. This amounts to cheating both the owner and the creditors.

[ZYCIE GOSPODARCZE] These unhealthy phenomena are partially justified. Demand for some products will never be restored; frequently, there is no way to get rid of unnecessary assets, whereas a dividend is collected on them. A flight to partnerships to which the healthy segment of assets is contributed is, after all, an attempt to save companies. On occasion, this is the only possible way. Hence the entire discussion about "unwanted assets agencies."

[Bukowski] Are you talking about a small "state treasury" for bad enterprises? Expectations associated with this institution, as well as the law on the state treasury, have a certain quality of magic thinking. There is no way to count on a state agency absorbing all unwanted assets. The Germans could go for such a solution; however, about DM40 billion are used there annually to subsidize privatization. Therefore, all taxpayers contribute to paying the creditors of rescued enterprises in their case. We cannot afford this. The state agency would be unable to support itself by selling all the assets it takes over; subsidies from the state budget would be needed. Besides, who will organize such an institution in Poland, and when? To form specialized companies operating as liquidators, which will professionally handle the sale of assets of liquidated enterprises, is a different matter.

[ZYCIE GOSPODARCZE] Will they also assume the entire financial risk, without a problem for the state treasury, which will collect amounts payable to it first?

[Bukowski] I am not convinced that such companies will come along, either. However, this is better than creating illusions that the eventual law on the state treasury will solve the problems of enterprise management, their debts, and privatization. At present, a substitute for the institution of the state treasury exists in the form of parent agencies. Appropriate changes should be made in this regard without waiting for the law on the state treasury. The Ministry of Industry and Commerce plays the role of owner for about 1,800 enterprises, and is not in a position to cope with their problems. To my mind, the rights of the parent agency to 1,400 enterprises should be assigned by the Ministry of Industry and Commerce to voivodes, because they are somehow closer to these companies geographically and emotionally. The Ministry of Industry should handle the largest enterprises which require professional supervision and assistance, because the fate of hundreds of smaller enterprises which are suppliers to large producers of final goods hinges on their future. These small enterprises may be "commercialized" on a preliminary basis.

[ZYCIE GOSPODARCZE] I am afraid that the current state of affairs is primarily bringing about a rising wave of liquidation through the procedures of Article 19 of the law on state enterprises. These procedures of liquidation will grow even longer because, in the environment of a recession, it is increasingly difficult to sell the assets of the bankrupt. This will be a privatization replete with failures.

[Bukowski] Proceeding under this article of the law on state enterprises means bankrupting the enterprises rather than privatizing them. Legal regulations for a typical liquidation should be perfected very quickly, so that a decision to liquidate will have to be preceded by an attempt to sell the entire enterprise, even if only at the price of meeting the obligations of this enterprise, or the purchaser assuming obligations to make outlays which will make it possible to keep the company operating, so that the people will not lose jobs. Enterprises are closed down too inconsiderately, and liquidation proceedings take too long for enterprises to manage to meet their obligations, along with interest. Employees lose, creditors lose, the entire economy loses. At present, only 570 enterprises are being really privatized through "liquidation," whereas as many as 700 have been put in liquidation, which is nothing but a simplified bankruptcy procedure.

[ZYCIE GOSPODARCZE] Going back to privatization, what about its other paths?

[Bukowski] We have previously discussed asset leases—leasing. However, privatization "through liquidation" does not involve only the creation of companies which take over the assets of enterprises. The Ministry of Privatization sees to it that parent agencies sell as many



enterprises as possible in their entirety or that they be contributed in their entirety to the assets of companies. This contribution of assets may be combined with debt reductions. This is possible under legislation currently in effect! There is no need to wait for the debt reduction law. Right now, this should be happening on the initiative of parent agencies, on account of taking advantage of Article 37 of the law on the privatization of state enterprises. Partnerships with active investors may be created by the state treasury contributing entire enterprises, with the simultaneous involvement of a bank which will be given a share in the partnership in exchange for debts. The same may be the case with other creditors. The partnership assumes the rest of the obligations. It is a pity that this opportunity is so seldom taken advantage of, whereas a stance of awaiting a miracle, that is, new regulations or direct intervention by the state, prevails.

[ZYCIE GOSPODARCZE] Thank you for the interview.

### **Industry Ministry Relaxes Coal Export Controls**

92EP0592B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 10 Jul 92 p 1

[Article by Anna Wielkopolska: "Controls Abolished, Licenses Retained: Black Coal"]

[Text] The Ministry of Industry and Trade decided on 9 July to suspend indefinitely export controls on black coal, which had as of 4 April been temporarily suspended for the summer period.

These controls have long been the subject of disputes between the mining industry and the ministry. In the opinion of the miners, setting quotas on coal exports has been hobbling the autonomy of mines and complicating the emergence from the economic crisis. To mines, which are constantly struggling against the problems of winning secure markets for their coal, these quotas have been an additional obstacle. Customers are reluctant to conclude short-term contracts and, what is more, the very likelihood of the imposition of quotas by the authorities has been precluding the acceptance of responsibility for regular deliveries.

The Ministry of Industry and Trade has been attributing the maintenance of export controls to the need to control

the energy market, on which coal still remains the principal raw material. Energy experts have been pointing to the example of February 1991 when there was a coal shortage in this country. In addition to the controls, permits for the exportation of coals, issued by the Ministry of Foreign Economic Cooperation (which can be revoked by the ministry), have been introduced as an auxiliary mechanism. A requirement for obtaining these permits is a trade contract. The ministry's figures indicate that at least one third of the permits issued last year was not utilized by the mines (the permits granted were for more than 30 million metric tons of coal, but only about 20 million were sold).

According to miners, this situation was due to the inclination of foreign customers to avail themselves of the services of Weglokok, because that agency, as a middleman for Poland as a whole, can assure continuity of shipments of coal deriving from different mines. Miners' protests have been acquiring increasingly extreme forms. At the end of June, Miners' Solidarity '80 launched an occupation strike in the building of the State Black Coal Agency in Katowice. The first demand of the strikers was for a permanent abolition of all export controls.

The current decision to abolish export controls was not, however, taken as a response to the strikers, as the Director of the Energy Department at the Ministry of Industry and Trade Kazimierz Adamczyk told RZECZPOSPOLITA. In his opinion, this decision certainly makes things easier for the mining industry, but more so in the long run than at present. He stressed that the quotas were the sole instrument by means of which the government was able to assure the country's energy security. At the same time, in order to open the mining industry to the market economy to a greater extent, obligatory contracts between mines and individual power plants have been introduced. According to the ministry, this should serve to assure an adequate heat supply in the winter without having to impose quotas on coal shipments.

Director Adamczyk also stressed that the importance of export controls has been overestimated, because the principal problem in coal exports is the collapse of the system for clearing accounts with the countries of the former USSR. The markets of these countries are in principle capable of absorbing any quantity of coal, but they still have not regained financial solvency.



### Health System 'Tragic,' on Verge of Collapse

92BA1334B Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 10 Aug 92 pp 21-23

[Article by Verica Dukanac: "The Health Service: Below the Therapeutic Minimum"]

[Text] On one hand, even though one gets the impression that in recent weeks the government has been dealing more nimbly with the situation in the health service, the basic question still has not been answered: How much of what is being officially undertaken is actually in touch with the almost tragic real situation in this sector? The patients' Golgotha is on the other hand. The authorities are continuing to try—at least until the new elections—to relativize and postpone the necessary rendering of accounts, with quite a bit of powerful media promotion of all these measures, through reorganizations and instructions on restrictions. So Serbia's physicians decided the other day within the framework of their society to attempt themselves to call the attention of the public to the basic problems. And, above all, to do so selectively and specifically.

Several successive meetings have been agreed on in the form of panel discussions, which will set the opinions of the various parties against one another. The first such meeting, which will be held soon, will take up problems that in their opinion require urgent elaboration. The reference is precisely to this question: How much money will have to be furnished to cover the cost of the health (or illness) of this people in order to avert at least poisoning, epidemics, the contagious diseases that have already been eradicated in the civilized world, and also to preserve the health system itself in some fashion (in spite of the external blockade), and to do so until 1 January of next year? "We simply must say, that is how much it costs," said Dr. Bosko Jovicevic, well-known ophthalmologist, in a brief conversation with EKONOMSKA POLITIKA, who has been commissioned to prepare and conduct that first meeting before the Serbian Society of Physicians. Then it is up to the politicians, Jovicevic says, to decide whether that account will be sent on to the public, or if they will decide to give up two or three tanks or one airplane and find that money, because it is no longer a question here of crisis, but of the literal ruination of the health service.

### Clinical Death of the System

Since the beginning of this year, the medical community has been officially and publicly warning that this is really the case, and it has done so rather convincingly and graphically. But to this day these have been and have remained the outcries of the helpless. Back in late March the coordinating committee of directors of Serbia's health institutions wrote to the prime minister that they face a complete shortage of materials to work with, there are no drugs, no medical supplies, that operations would cease in a few days even from that time, that debts and unpaid obligations carried over from last year were piling up, and that this situation in the health service is

a full-fledged threat to the health care of the public, and should it continue in this way, the system will fall apart.

Again, in late May, five prestigious physicians from Kragujevac wrote an open letter to the public in which they referred to the situation as catastrophic, because in that clinical hospital center operations had not been done for months because they had no anesthetics, no material for sutures, not even brushes for surgeons to use in washing their hands. Those who signed that open letter emphasized that they are admitting and operating only on the most urgent cases, that many people are seeking medical help in tears, that patients are being discharged from the hospital half-treated, that patients with the most serious diseases are being discharged, etc. The other day, meanwhile, the news arrived that the entire health infrastructure of Kragujevac, especially its clinical hospital center, is in a state of "clinical death," left to its own devices.

"I cannot and will not lie to the people," complains Dr. Radomir Pavlovic, deputy director of the KBC [clinical hospital center], "the problem has grown to the end point, and there is no solution. We have food for only another two or three days, our storehouses are empty, the trade sector is no longer delivering goods, because we have not paid even for what we have taken, and that is the same situation with drugs. What if someone dies because we did not have food or enough drugs," Dr. Pavlovic wonders, "who is going to take responsibility for that? And that danger objectively exists."

Their modern clinic for internal medicine, which was opened with great ceremony in late April by Radoman Bozovic, with the kind of equipment that in Serbia is possessed only by the Military Medical Academy in Belgrade, has for all practical purposes never gone into operation. The management of the health-care sector in Kragujevac is right now just about to make the decision that all those who have to be in a hospital will have to secure a bed by paying in advance for their "bed stay," so that at least those with money can be treated for another few days, until the hospitals and outpatient clinics are shut down for an indefinite period. At the same time, they are saying that there is a situation even worse than that, and that time, which is on the way, they refer to as absolute catastrophe.

But the situation of Kragujevac is in no respect worse than other centers and hospitals in Serbia. Dr. Nenad Ivkovic, director of the Mladenovac Hospital, said the other day that they have been forced to treat and make examinations in the "orthodox manner." That means "we use our eyes, our ears, and our nose in arriving at a diagnosis." At this point, his hospital is being rescued by donations from local private businessmen. One of them purchased bed linen, paid for 60 liters of milk, and 360 eggs. Another donated 50 billion dinars [as published] to purchase the most necessary drugs, because the little money that arrives through official channels is simply never seen because it is immediately skimmed off by judicial action, so that it is all paperwork, but no money.

To be sure, in late March Dr. Vlada Petronic, the well-known Belgrade urologist who is deputy director of the Belgrade Clinical Center and a former health minister of Serbia, stated publicly that 80 percent of the diagnostic methods can no longer be applied.

### The Chances of Reanimation

Along with this urgent horror, above all in the hospitals, and the shortage of basic drugs and medical supplies, the other day the Association of the Yugoslav Pharmaceutical Industry was also heard from. Although some factories are already taking a collective vacation, Radomir Stojicevic, M.A., president of that association and director of Galenika in Belgrade, says that in their warehouses they have an enviable assortment of indispensable drugs to last at least a month, but health institutions do not have the money to purchase them.

The government, however, for all its involvement with legal regulations concerning the financing of the health service, is reacting only with short-term loans to the fund to somehow clear up at least the oldest debts. All the dubious financial assets that are blocking the operation of this system are postponed. And the program for financial rescue of the health service by the republic government, announced and anticipated for a long time now and made public the other day, comes down to only a few loans to somehow survive the summer. So far, a loan has been furnished from Jugobanka in the amount of 200 million dinars, while the indebtedness to the National Bank of Serbia (in the amount of 800 million dinars) still has not been transacted. That money is supposed to pay at least part of the remaining debts from previous years (estimated at 1,315.2 million dinars), above all the portion for drugs and to somehow repair the liquidity of the most seriously threatened health institutions in the republic. And all of that perhaps might be of some importance if the usual revenues of health insurance funds were coming in regularly. Although these calculations for this year are quite well-known to both the government and the Assembly, they have been dealing with them in absolutely shameful manner, and the questionable debts are continuing to multiply.

At the beginning of the year, the government first reduced the rates of health insurance contributions in certain regions of the republic, especially with respect to worker insurance. Although contributions for worker insurance last year covered the costs of the health care of this population of insured persons, this year expenditures have exceeded revenues precisely because of the reduced rate of the contribution, and this specifically occurred in Vojvodina (in 1991, the rate was from 12 to 15 percent) and central Serbia (where in Nis, say, it was 12.8 percent), but now it is 11.2 percent everywhere. At the same time, today there is an increasing number of enterprises forced to shut down and not paying health insurance during that time. What is more, since the beginning of the year in many cases people have been avoiding payment of the contribution through various

forms of nonmonetary payment of earnings to workers (coupons, food, and the like).

Nor is the situation any better in other populations whose insurance is conducted separately. Last year, for example, the contributions from pensioners covered only 31 percent of the costs of their own health care. During the first five months of this year, farmers covered only 10 percent, while a year ago their coverage was 35 percent. Only in the private sector has the coverage of health-care costs been about 80 percent in the last two years, whereas previously it ranged between 30 and 35 percent. On the other hand, the lowest coverage of health-care costs is for uninsured persons (less than 10 percent, and this is a direct obligation charged to the government budget), and during the first five months of this year there was a shortage of 86 million dinars for their health care. Only the refinancing of the budget this June furnished 40 million dinars, which is less than the money needed to cover those costs, especially when we bear in mind the increasing number of unemployed persons.

In addition to all of that, expenditures to treat refugees and wounded are a particular burden on health funds. The refinancing of the republic budget pursuant to the Decree on Health Care of Refugees approved 17,575 million dinars for their treatment up to the end of this year. From those funds, health institutions were paid half the amount to which they were entitled and that only in May, while the other seven months are left uncovered, although the number of refugees is increasing day by day. As for the wounded, the situation is still more unfavorable. Since the beginning of the war in Bosnia-Herzegovina up to the end of June about 1,200 wounded persons were treated in health institutions of the republic. Funds were not provided for their treatment and rehabilitation, but the monthly need is estimated at about 70 million dinars. Nor has there been a solution to the problem of the health care of university students studying in Yugoslavia from other former republics, and so on.

At the general level, in addition to the general inflationary shock, elimination of copayment last spring contributed to an increase in consumption of health care. There has been an immense increase in the number of services rendered in outpatient and polyclinic services and the number of prescriptions issued, and also in the number of applications for prescriptions for eyeglasses, orthopedic devices, and other medical aids.

### What the Government Has Done

The rather calm admission of the government that the \$90 per capita allocation for the health service last year was reduced this year to \$26 clearly indicates where the only chance remains for reanimation of this system. But for six months now the uncovered debts of the Health-Care Fund have merely been multiplying. In addition to the 1,315.2 million dinars of debts carried over from past years, which we have mentioned, in the first half of

this year the item was augmented by another 4.06 billion dinars according to official figures.

The illiquidity of health institutions is such that they barely have enough for irregular payment of earnings to medical personnel. As we have seen, there is simply no money for all the rest. Those few credit lines cannot guarantee any kind of normal operation. And unless something changes very soon, there will be no drugs, not even in private pharmacies, which for the present are supplied at least decently. After all, the fact that the federal government has granted pharmaceutical houses the right to purchase foreign exchange in the amount of \$50 million might easily go no further than a dead letter if because of their high accounts receivable they should have no money with which to purchase it. At the same time, we should not forget all the difficulties of importing even these raw materials, because permits first have to be obtained from the governments of certain states from which the imports are made, consistent with the UN resolution, which is not to mention the shipping problems during the blockade. But even if the raw materials reach the factory grounds, it takes at least two months to manufacture the drugs.

If it is not possible to independently dispute the good intentions of the main, above all legislative, involvement of the government this year (adoption of the laws on health care and health insurance), in wanting to make certain main elements of national health policy and the insurance system more similar to the well-known and proven systems of certain European states, their specific elaboration, in particular the sterility compared to any realistic standards, has absolutely discredited the system that was set up that way and its proponent.

How can one even speak about setting up any kind of insurance system, including a health insurance system, with the political task set in advance of maintaining coverage of all risks that have existed up to now (that is, without reducing the rights of insured persons), when at the same time there is no reliable calculation of the price of that insurance? And now that all medical institutions have been nationalized with adoption of the new law on health care this spring, what the Health Ministry has been trying to do up to this very day is to use various restrictive decrees, decisions, and restructuring of the network to merely adapt the entire system to the poverty which the health service is already in. Thus, in just the past several weeks, in addition to the plan of the network of health institutions recently adopted by the republic Assembly, the Health Ministry has also prepared a decision on the copayment of individuals in the costs of health care and at the same time postponed its application for an indefinite period. Then there is the decree under which the Health-Care Fund (which still has not been entirely set up), will with government consent establish the extent and content of the right to health care, as well as the regulation whereby the ministry establishes conditions with respect to personnel and equipment of rooms in the medical service. All of this has been accompanied by numerous binding instructions

to physicians with respect to prescribing drugs and treatment in general, although the general shortage of money has itself already made that meaningless.

Unfortunately, in the recent, rather lengthy and exhaustive debate of the most recent government measures concerning the organization and management of the health system, none of the 52 physicians who are deputies in the republic Assembly even put the question of whether the Health Ministry or government had any kind of calculation as to how much this would realistically reduce the expenditures for health. If we are to believe Jean Bernard, the well-known French journalist, who has been dealing with the problems of medical science and economics for a long time now, the price of health depends only modestly on the practice of bad management and poor organization of the health system, whether it be socialist or capitalist. After all, the autonomous explosion of health costs is today troubling even the richest states in the world. And the studies that Bernard supports in his book, *The Greatness and Trials of Medicine*, show that under present conditions material mistakes (bad management) and possible profiteering account at most for between 15 and 20 percent of total costs. The main problem, that is, still lies elsewhere. No one knows how long the authorities will be able to postpone this problem of rendering accounts with this kind of maneuvering and simulation of change. And we asked Dr. Jovicevic what chance the demands will have that will soon be defined in the panel discussion of the Serbian Society of Physicians? His answer sounds out-and-out sarcastic: We must arrive at the figure indispensable for the system to survive at all until 1 January, and what the effect will be from our possible pressure on the authorities depends above all on how our demands are promoted in the media, especially over government television, which is the only one that can be seen over the entire territory of Serbia.

**Professors Against Law on University in Belgrade**  
92BA1340C Belgrade BORBA in Serbo-Croatian  
14 Aug 92 p 11

[Article by O. Nikolic: "A Protest Following the Vacation"]

[Text] From what we learned from Dr. Mihailo Pesic, prorector of Belgrade University [BU], the Law on the University was published in SLUZBENI GLASNIK [official gazette of the Republic of Serbia] on 8 August, which means that the president of the Republic of Serbia signed it before that date. Dr. Pesic received that information (only) yesterday in the Serbian Ministry of Education, several days late, because in the meantime, on 10 August, Belgrade and Kragujevac Universities sent letters to Slobodan Milosevic. And a day later a petition was forwarded to the Constitutional Court of Serbia. It turns out to have been completely unnecessary. As is well-known, these two higher educational institutions appealed to the president not to sign the document

regulating the academic field "because certain provisions are unconstitutional, and some drastically violate the autonomy of the university."

Judging by BORBA's survey, the professors are (still) indignant that a law of that kind was passed at all and apparently was passed on the basis of an agreement reached between representatives of the government and the university. The last straw of salvation, a thin one, was that the "highest level" would not sign the document. Professors at Belgrade University spoke to BORBA about the further efforts of university personnel concerning this document.

### Fierce Reactions

"Only after 20 August, when we go back to work, will the authorities of the university and its schools determine their future behavior. I assume that at that time there will also be a reaction from the teaching and research councils of the university and of its schools, as well as from the Community of Serbian Universities, which actually proposed the draft law to the government," said Dr. Mihailo Pesic, prorector of BU.

Dr. Miladin Zivotic, professor in the School of Philosophy, hopes that the professors and students will boycott the law that was offered specifically insofar as it regulates management of the university on a 50-50 basis. "The students and teaching assistants have already initiated the idea of boycotting the new elections to those governing bodies at the university. Great unrest will be the ultimate consequence of adoption of a document like that. We should expect not only a boycott of this law, but also a protest, because instead of creating a democratic political space for free activity, this law is absolutely 'disjointed.' This cannot happen without society reacting, and I think that those reactions will be very harsh," Zivotic is convinced.

Those who never figured on the sympathy of the president of the Republic (in the sense of withholding his signature) include Dr. Radoslav Stojanovic, professor in the Law School, who says: "I had no hope that the president would make another concession, as in the case with Politika (which Dobrica Cosic probably persuaded him to make). I cannot expect two concessions from Slobodan Milosevic, one after the other. So now what? We will have the law as it stands, but that does not mean that we will have the university at which that law aims. When laws are bad, ways must be found of changing them, and mainly they are changed by people not honoring them. That situation is called a 'legal vacuum,' because the Roman jurists said: 'Even the worst law must be respected,' but under democratic conditions that means that citizens have the right to seek amendment of that law. And in the end the state always realizes, a bad state always very late as a rule—that a bad law must be amended. I think that even this state of ours will realize that, late, to be sure, as it has been late in realizing other things—but that is our destiny. I expect that this law will

experience the fate of all constitutions and laws which have made this Serbia undemocratic."

### A Strike or Protest Rallies

"I think and hope that the university will defend its position as stated in the draft of the Law on the University, because the new enactments have essentially violated the autonomy of the university, the natural rhythm has been upset," says Dr. Obrad Stanojevic, dean of the Law School. "The government is obviously in a hurry, because it wants to schedule new elections before expiration of the term of office of the top people of the schools and the university. We will know how the Law School will react to adoption of this law when the vacation season is over. On the basis of conversations with several colleagues, I think that we will attempt to fight for the university's autonomy within the framework of the law. I was a member of the university delegation that recently visited Milan Panic, federal prime minister. He promised that he would offer us support. 'I favor a free university, I am on your side,' the prime minister told us at that time," Dr. Stanojevic said.

This kind of law on the university will encounter great dissatisfaction on the part of university personnel, especially because the government has gone back on agreements, Dr. Bora Kuzmanovic, professor in the School of Philosophy (who at the same time is president of the independent trade union of BU), is certain. "We will wait until people get together," Dr. Kuzmanovic says, "and then we will see what forms that dissatisfaction will take. We will evaluate the situation at that time, but in any case, the document will not meet with approval. On 1 September, we will see whether the university will proclaim a strike or protest rallies."

### [Box, p 11]

### No Surprise

The fact that the president of the Republic signed the document changes nothing in our demands and behavior. We in fact expected that action, and the reactions will follow when all the university structures agree, says Sasa Marjanovic, student prodeacon of the School of Natural Sciences and Mathematics, adding: I think that there was no need whatsoever for Belgrade and Kragujevac Universities to write a letter to Slobodan Milosevic appealing to him to treat the Law on the University the same way he did the Law on Politika. In taking that action, we only damaged our own reputation.

### Mixed Prognosis for Electric Power System

92BA1334A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 10 Aug 92 p 13

[Article by D.N.: "Power Industry: Slow Decline"]

[Text] The load control center of Jugel [Community of the Yugoslav Electric Power Industry] is no longer able to put together the usual daily, monthly, and quarterly



reports on electric power production and consumption on the territory of the former Yugoslavia. Data simply are not being sent in from Bosnia-Herzegovina, Croatia, and Slovenia with the exception of Trebinje and Knin, and what is received from Macedonia, Montenegro, and Serbia cannot be compared with the previous data. However logical it might have seemed for the disintegration of the former federal state to bring about this kind of change, it is a real pity for everyone that the basic data on operation of the electric power industry are being withheld from the load control center. Data of this kind, incidentally, are exchanged daily, even from hour to hour, among European countries wherever the technical capabilities exist, but particularly in the large European interconnections.

By force of circumstance, then, information on the electric power situation must be reduced to Serbia, and as soon as the organizational changes in the electric power industry are completed, Montenegro will probably also be included in the regular reporting period. The Serbian Electric Power Industry had an output of 69.5 million kilowatt-hours [kWh] for Tuesday, 4 August. That is not quite 20 percent less than on the same day of last year and approximately the same amount below this year's budget. Consumption, however, was 56.7 million kWh, which is not quite 10 percent below last year. The conclusion is obvious—consumption is very high, especially in view of the season, the operation of the economy, and the level of overall activities. Part of the

difference between output and consumption is being delivered to Montenegro, and part is being used to pump water into the storage reservoirs of pumped storage plants.

Of the 8,700 megawatts [MW] of installed capacity of electric power plants in Serbia, 3,171 MW were used during the hours of the peak load, nearly 1,200 MW were on standby, and almost 1,500 MW were undergoing repairs. The rest is also standing idle. It is significant that the Serbian Electric Power Industry is continuing to behave like a good steward, at least when it comes to preserving the storage reservoirs of the hydroplants. In spite of the drought, the small inflow, and consumption, storage reservoirs are full for this time of the year; put better, they are being kept above the level planned in the budget.

During the wait for the new price increase and extensive financial injection from primary note issue, strikes and complete disintegration of the system are being mentioned more and more frequently in the electric power industry. Even the money for salaries of employees is expected from the republic budget, and all payments to suppliers have been suspended. Not only is it impossible to obtain spare parts, chemicals, and supplies from abroad, but domestic suppliers are no longer supplying the electric power industry. That is why the industry is only a step away from forced shutdown of expensive machines and equipment.



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